

# BUSINESS WEEK

JAN. 8, 1949



LEAD-PAIN  
TITANIUM

Joseph A. Martino: Guides National Lead to new futures with titanium (page 6)

BUSINESS  
WEEK  
INDEX

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**BOWER BEARINGS ARE**

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**MAKING GOOD BEARINGS STILL BETTER**

The secret of making good bearings even better can be summed up in a single word . . . Spher-O-honed. ★ It's a term that is indicative of the many worthwhile improvements that make the Bower bearing of today a greater value than ever before. It stands for significant refinements in design and engineering . . .

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In the pharmaceutical industry's research laboratories, devoted scientists work amid glass tubes and retorts, microscopes and centrifuges, in a never-ending search for new drugs to conquer disease and pain.

Certain stubborn infectious diseases are already yielding to newly discovered antibiotics—chemicals obtained from micro-organisms such as molds and bacteria.

In the new era that lies ahead, many baffling diseases may reasonably be expected to fall before the patient research of the nation's scientists.

The final link in this humanitarian chain is the college-trained pharmacist in your neighborhood drug store. His skilled hands compound and dispense the medicines that aid your physician in his struggle against suffering.

Every man, woman and child benefits from the far-sighted work of the pharmaceutical industry, and from the untiring efforts of the professional people through whom its products are translated into safer, healthier, longer lives.

This kind of enlightened leadership is typical of American industry. It is another example of how private, competitive business, backed by the savings of hundreds of thousands of investors, provides valuable products and services. Labor, management, shareholders and the public are the beneficiaries.

## BANKERS TRUST COMPANY NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



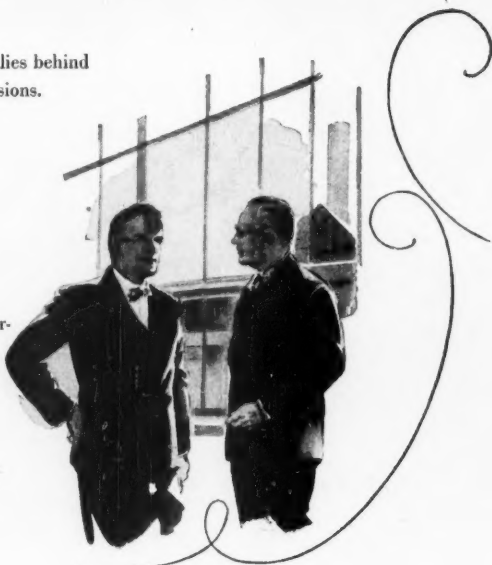
## What makes a good group insurance plan good?

The same kind of planning that lies behind  
your own company's policy decisions.

### Why is expert planning so necessary?

Because group insurance, to be really effective,  
must be properly coordinated with your whole employer-  
employee relations program, and then kept  
up-to-date with changing conditions.

### What is Connecticut General's experience in working with business and industry?



Connecticut General has been writing group insurance for 36 of its 84 years in business and was one of the  
first insurance companies to enter this field. It has always been one of the most progressive  
companies in initiating advances in group insurance underwriting practice.

### Is your problem big enough for Connecticut General's expert assistance?

The need for expert assistance does not depend upon the size of your company. Often a  
small organization will have more complex problems than a large one.  
Connecticut General is not "size conscious."

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY HARTFORD, CONNECTICUT

LIFE, ACCIDENT, HEALTH and  
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### THE PROTECTED PAY ENVELOPE PLAN

For careful, competent, individual study of your situation, investigate  
Connecticut General's Protected Pay Envelope Plan. It is equally appli-  
cable to the needs of large or small organizations. It provides all forms  
of group protection: life, accident and sickness, hospital, surgical and  
medical expense insurance and pension plans, singly or in combination.

## These well-known products are packaged at lower cost with General Mills Machines

Looking for faster, cheaper packaging for your product? Take a tip from some of the nation's top manufacturers—investigate the cost-cutting results offered by General Mills' line of specialized equipment.

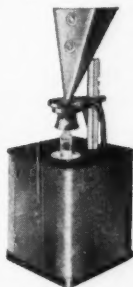


### VACUFLOW POWDER FILLERS



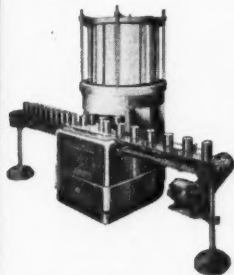
MODEL E

Fills bulk containers up to 200 pounds in capacity. Operator positions containers and the machine fills them to a precise weight automatically.



MODEL D

Handles small and medium-size containers fed manually. Ideal for the manufacturer with low tonnage production on a wide range of products.



ROTARY MODEL

Fills up to 300 containers a minute automatically. Handles a wide variety of sizes of cans, jars, small-mouth bottles and cartons. Available with 8, 12, 16, or 24 filling heads.

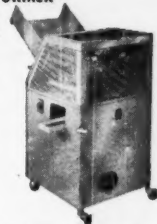
These machines use a new precision method of drawing powdered products into containers by means of an intermittent vacuum. This permits complete control over weight and density of powders, resulting in amazing accuracy and high filling speeds. All working parts are completely dust sealed; filling rooms offer clean, dustless working conditions.

### TRAY-LOCK MACHINE



Forms lock-type trays and cartons

### FINISHED-EDGE CARTON FORMER



Sets up open-top double-wall trays and cartons

Completely automatic, these machines deliver ready-to-fill trays and cartons at speeds up to 90 per minute. Both units produce a wide variety of tray and carton sizes and styles, all neatly squared with sturdy, straight sides. Either machine plugs into your regular 110-volt circuit.

Full details regarding any of these machines will be sent on request. Address Dept. B 19, General Mills, Inc., 1620 Central Ave., Minneapolis 13, Minn.

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**General Mills, Inc.**  
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Remington Rand Inc.

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—USE PHOTOGRAPHY**

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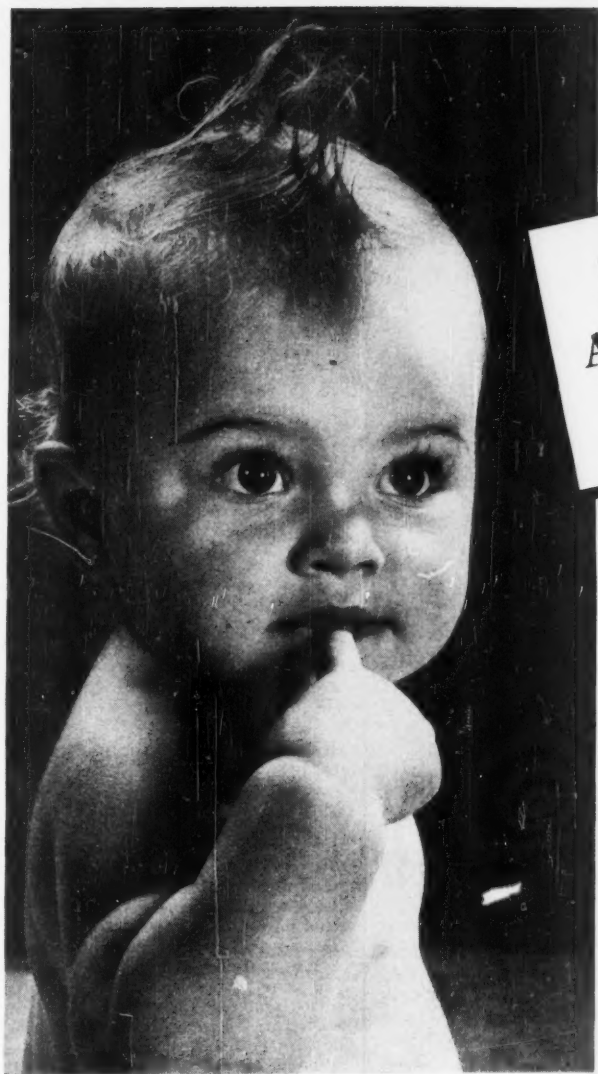
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BUSINESS WEEK • Jan. 8, 1949



## Have You Heard About the Telephone Birth Rate?



1948 was a mighty big year for additions to the telephone world.

Your own particular telephone is more valuable today, millions of calls go through clearer and quicker, because of the many things that have been done to extend and improve service.

You can call more people, and more can call you, because nearly 3,000,000 Bell telephones were added to the telephone population — many in your own community.

Long Distance is faster and there is more of it because 1,800,000 miles of new circuits were added. A total of \$1,500,000,000 was invested in new Local and Long Distance facilities in 1948.

We broke all records for the volume of new telephone construction, the dollars we put into the job and the number of telephone people on the job.

We're going to keep right on working and building in 1949 to make your telephone service a bigger bargain than ever.

BELL TELEPHONE SYSTEM





Welcome the man who presents this card. He's ready and anxious to help you increase consumer good will by protecting your product against the hazards of shipping—and to help you increase sales through better packaging.

**GAYLORD CONTAINER CORPORATION**  
General Offices: SAINT LOUIS

*Corrugated and Solid Fibre Boxes • Folding Cartons*  
*Kraft Grocery Bags and Sacks • Kraft Paper and Specialties*

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## THE COVER

Joseph A. Martino is no pushbutton president. As top man in the \$170-million National Lead Co., he's on the go most of the time: He has 19 divisions and 18 associate companies to answer for—including holdings in England, Norway, Belgium, and France.

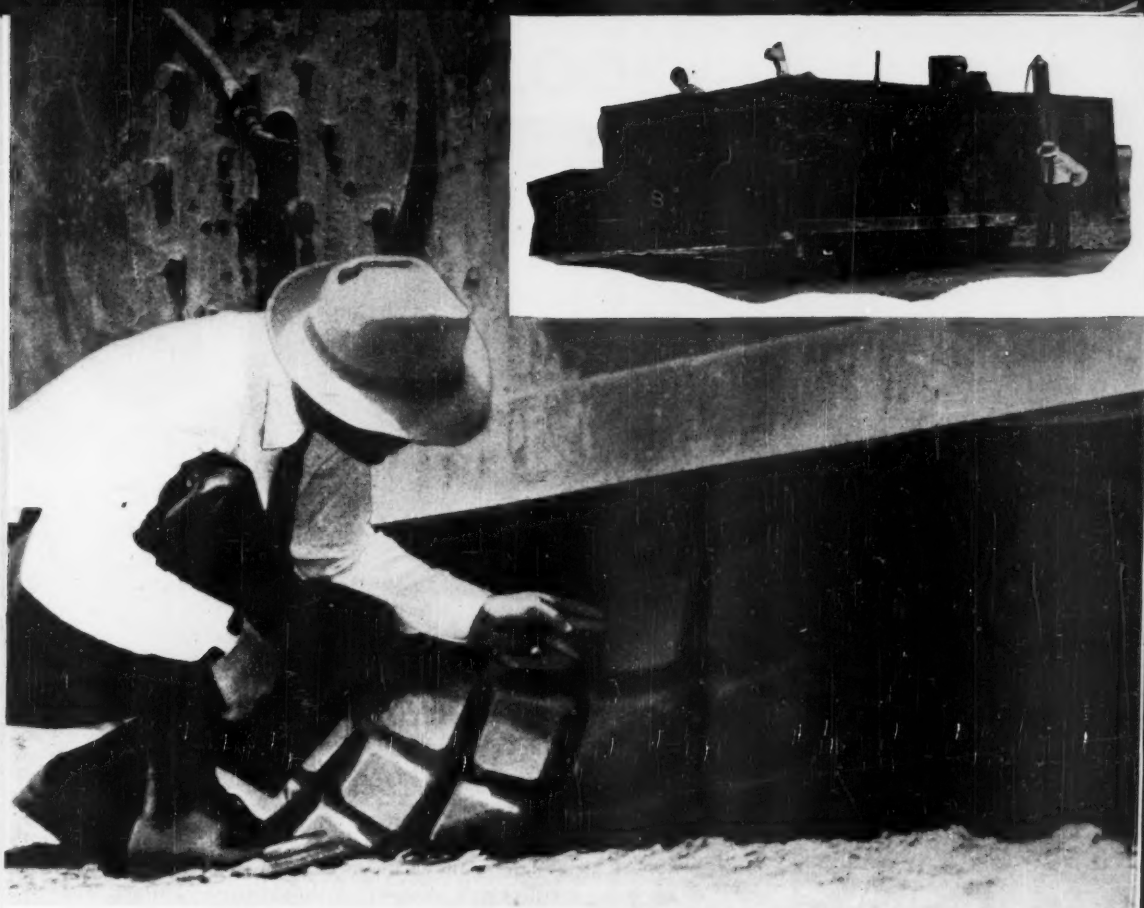
National Lead is a diversified company: It makes titanium and lead oxides, paints, precision bearings, oilfield supplies, locomotive parts, brass castings, stainless-steel products, even castor oil. It's about ready to make a big splash in titanium metal. So Martino's problem is no cinch: He has to know plenty about a lot of industries.

• **Answer**—Martino's method: Throw away the brass hat; get around the country; keep personal contact with plants, plant people, and customers. Then, when you face a knotty executive decision on manufacturing, marketing, or manpower, chances are you'll make the right one.

This "operation suitcase" keeps the genial, rotund boss right on his toes—and right on the toes of competitors. Ever since Martino joined National as an office boy in 1916, he has spent extra time and effort learning about company products and operations. His schooling consisted only of night courses at Columbia University. His years as controller of the company gave him plenty of chances to get around to branch plants.

• **Diversity**—Martino's job right now is to keep the sprawling company in balance—encouraging development in its various lines, allocating reasonable amounts of cash to each division for research, keeping an eye on the competition. Optimistic about National Lead's future with titanium metal, he promoted the changeover of Titanium Alloy Mfg. Co. into a new division of National Lead. But he isn't forgetting that National's reputation is founded on lead and titanium oxides, either. National's business growth has been sparked by diversity; Martino intends to keep that diversity, and to push that growth.

—Complete story on titanium appears on page 40. Cover painting by Ralph Iligan



## IT TAKES **NYLON** TO SHOULDER THIS LOAD

This compaction roller is filled with iron ingots until it weighs as much as three loaded freight cars. Then a tractor pulls it along airport runways that are about to be paved. The four giant tires—rubber tread on a nylon fabric carcass—bear down harder than will those of landing aircraft. They pack the earth, eliminate soft spots that might later give way under traffic.

It would take 25 trailer-truck tires to carry the load borne by *each* of these tires. They're eight feet high—they support a weight of 50 tons apiece. Designing a tire carcass to stand such weight called for a terrifically strong carcass. Engineers say it would not have been practical—except for Du Pont nylon fibers.

Nylon builds enough tensile

strength into this tire to withstand an inflation pressure of 150 pounds per square inch. And nylon also provides the flexibility, bruise resistance and durability a tire carcass must have.

If *strength* is what your product needs, try nylon fibers. Or possibly nylon's other properties can improve your production methods, or make possible the creation of a new product.

NEW BOOKLET, "Nylon Textile Fibers in Industry," may help you secure the extra performance you're after. Write on your letterhead for a copy. And tell us your fabric problem. Nylon Division, Room 6510-A, E. I. du Pont de Nemours & Co. (Inc.), Wilmington 98, Delaware.

### Du Pont Nylon Fibers Give you all these Properties

HIGH STRENGTH + LIGHT WEIGHT  
+ TOUGHNESS + DURABILITY  
+ ELASTICITY + FLEXIBILITY  
+ LOW MOISTURE ABSORPTION  
+ QUICK DRYING + EASY CLEAN-  
ING + HEAT-SETTING ADVANTAGES

Resist deterioration by mildew,  
soil rot, petroleum oils, alkalis



BETTER THINGS FOR BETTER LIVING  
... THROUGH CHEMISTRY

*For nylon... for rayon... for fibers to come... look to Du Pont*



## *How sweet music might help you solve problems in steel*

THE picture above shows the mechanism of an antique music box—a collector's item worth thousands of dollars. The finest of such music boxes were handmade by Swiss, German and Austrian craftsmen about 100 years ago. This box is one of many owned by George A. Bidden of Barrington, R. I., who like many people today makes a hobby of collecting these beautiful instruments. He has become expert in restoring them, in recapturing their virtually perfect tone.

But Mr. Bidden encountered a problem. He could no longer get from Switzerland the out-of-the-ordinary flat steel needed to dampen the tones in the comb teeth. In desperation he turned to our Athenia Steel Division, described his requirements, and in short order got specially-processed steel, perfect for his needs.

This is a story of unusual application, but is typical of Athenia service in the development and production of steel. So if you are a user of special-purpose steel . . . if the solution to a problem in quality, behavior, uniformity, control or application would be "music to your ears", it might pay you to see what Athenia specialists can do about it.



**DIVISIONS OF NATIONAL-STANDARD CO.**

ATHENIA STEEL, Clifton, N. J. . . . .	Flat, High Carbon, Cold Rolled Spring Steel
NATIONAL-STANDARD, Niles, Mich. . . . .	Tire Wire, Fabricated Braids and Tape
WAGNER LITHO MACHINERY, Jersey City, N. J., Lithographing and Special Machinery	
WORCESTER WIRE WORKS, Worcester, Mass. . . . .	Round Steel Wire, Small Sizes

# BUSINESS OUTLOOK

BUSINESS WEEK

JANUARY 8, 1949



Have you got your eye on the consumer market? If not, here is a contradiction you may be missing:

- (1) Consumer income is running better than 5% ahead of a year ago.
- (2) Supplies of meat are less than a year ago; yet consumers aren't willing (or able) to bid against one another for what there is.

Maybe this is buyer resistance. However, it could mean changed buying habits. It may be that consumers have less money to spend on some kinds of things—even though they spend more dollars, in total.

Today's meat situation isn't one to be analyzed casually.

Supplies were scanty last summer. Buyers bid prices up to record levels—above \$36 a cwt. for steers, on the average, and \$31 for hogs.

More animals started coming to market in October. Prices went down.

That's all logical. But dig under the surface a little. Meat production, in the eight weeks before Christmas, was 7% below last year. In that period last year, prices went up; yet this year, they went down.

Hog prices ended 1948 more than \$5 a cwt. below the 1947 close; they were \$9 under the 1948 high. Steers were about \$3 cheaper than a year earlier, \$8 a cwt. under the 1948 high.

People ate to suit their tastes after the end of the war. That meant more steak and pork chops, less bread and potatoes.

When money is free, we buy what we want; when it is tight, we buy to fill our bellies. That is a marketing truism to keep in mind always.

And that's what gives declining demand for meat its significance.

It isn't likely that people are going back to filling up on potatoes any time soon. But they certainly aren't buying their fill of meat now.

Less spending on meat probably is simply a late development in the letdown that hit most types of consumers' goods in 1948.

People will cut corners on other things before they pinch down on their vittles.

They may buy new autos, new homes, new refrigerators. When they do, most of them borrow from future income. They can't put 100% cash on the line; they mortgage part of next week's paycheck—and the next, and the next.

Once you have pledged a slice out of each week's paycheck, you have that much less to spend on this week's living.

People "save," in a sense, as they pay off their debts. But this kind of saving is cash-out-of-pocket; it leaves less for buying goods.

For example, home buyers signed up for about \$8-billion worth of dwelling units in 1948. They presumably went into debt for about \$6-billion. Consumer credit—personal loans, charge accounts, instalment purchases—rose by about \$2-billion.

Payments on such debts take quite a bite out of the budgets of low or modest income families.

And it will be rather hard to convince them that they are "saving."

Washington experts figure savings were rising after mid-1948.

Commerce Dept. figures put the annual rate of saving in the third

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK**  
**JANUARY 8, 1949**

quarter at about \$15-billion. Securities & Exchange Commission studies tend to verify that estimate.

Yet there are a lot of people who will ask you today, as they did during the war: "If we are saving that much, who's got all the dough?"

One answer is that we are paying record premiums on life insurance. Another is that we are paying instalments on a huge private debt.

You don't have cash to show for such saving. Yet, actually, it is just as real as money in the bank or in bonds.

Accuracy of the over-all savings figure can always raise an argument.

The way national income accounts are set up, saving is a book-balancing figure. Personal income is estimated, then taxes deducted. The result is spendable income. The amount of spending on goods and services then is estimated. What is left over is saving.

The saving figure, thus, is only as accurate as the other estimates. And, with personal income running at \$215-billion annually, a mistake of even 1% in that figure would be almost 15% of present savings of \$15-billion.

An error of 5% on personal income would wipe out savings entirely.

Record wool prices in the Melbourne auction this week point up the squeeze on domestic clothing manufacturers: high costs and slow sales.

Simultaneously, an Australian newspaper had a suggestion. The Sydney Daily Telegraph proposes that the government buy the wool at current prices and resell to the United States at negotiated prices.

Any loss on sales to the U. S. would be borne by Australia's treasury.

The object is to get dollars to purchase American goods. The newspaper also expresses concern for the American consumer. But Australia's major dissatisfaction is that dollar customers lose out as soft-money buyers run prices up.

Advocates of higher support prices for farm products for next year may well consider what the program is doing now.

The government has taken 225-million bu. of wheat off the market for aid abroad. Despite this, farmers have locked up another 220-million bu. under government loan.

The present surplus prompted the government to call for less acreage. But farmers went right ahead and overplanted for the 1949 harvest.

And a new cotton problem is growing up, too. Planters already have pledged about 3.6-million bales of 1948 cotton under loans.

Optimism over first quarter rail traffic is expressed by the 13 regional shippers' advisory boards. They look for an increase of 2.1% over 1948, mainly in grain and coal.

However, the boards' estimates were on the high side late in 1948. And railway layoffs now are larger than seasonal, bespeaking some worry.

Several recent weeks have seen carloadings 7% to 8% below a year ago.

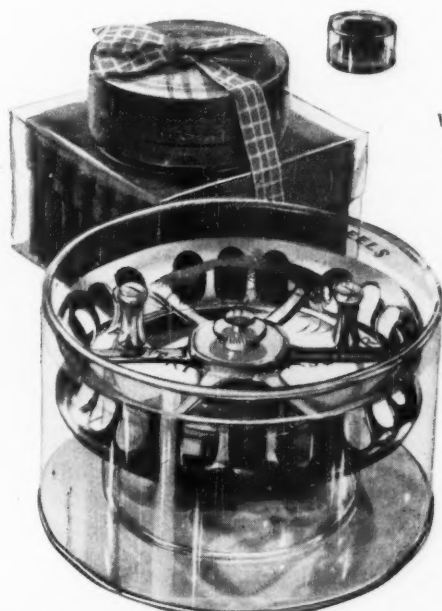
Spreading disappointment over recent business volume is contributing to unemployment—nothing serious, but it may be significant.

Insured unemployment jumped 120,000 in the week ended Dec. 4. That's the biggest weekly rise in some time. And the total rose almost 400,000 from late October to Dec. 4.

# DO YOU HAVE PROBLEM CHILDREN?

Are you faced with a packaging problem because your product:

- ... is irregular in shape
- ... is a combination of related merchandise
- ... is a luxury item bought on impulse
- ... needs visual appreciation for sales?



SHOWBOXES manufactured by Central States Paper and Bag Co. Curly-Top Paper Dolls, Admiral Replacement Cartridge, Cocktail Set, Virginia Casing Reel.

When you can't do your product justice with ordinary packaging, look into the possibilities of custom-made and stock boxes fabricated from Lumarith\* transparent films. Moderate in cost, they employ eye-appealing transparency to move goods faster . . . to create attractive counter displays . . . to permit examination without soiling . . . to stand out in competition. Containers of Lumarith transparent films are obtainable in an unlimited variety of sizes, shapes and styles—plain, or multi-color printed with product name or other identification. For names of container manufacturers write to: CELANESE CORPORATION OF AMERICA, Plastics Division, Dept. D-2, 180 Madison Avenue, New York 16, N. Y.

LUMARITH\* TRANSPARENT FILMS

*Celanese*\* PLASTICS

\*Reg. U. S. Pat. Off.

*Nothing Rolls Like a Ball*

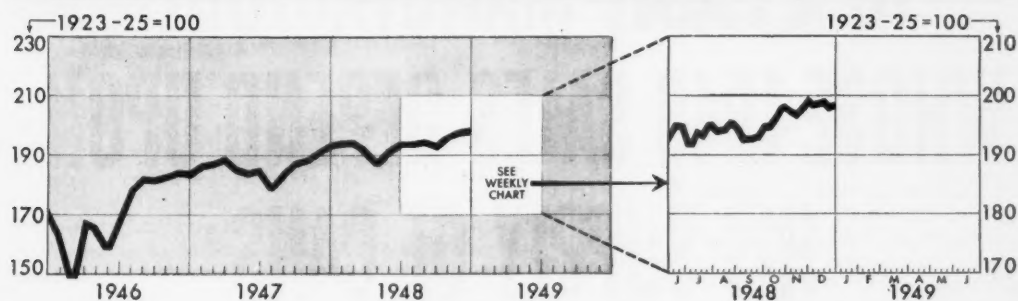


*You* couldn't select  
a finer bearing

**NEW DEPARTURE  
BALL BEARINGS**

NEW DEPARTURE - Division of GENERAL MOTORS - BRISTOL, CONNECTICUT

## FIGURES OF THE WEEK



Business Week Index (above) . . . . .	°198.8	†198.7	199.1	191.9	162.2
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## PRODUCTION

Steel ingot operations (% of capacity).....	100.0	97.3	100.0	94.8	97.3
Production of automobiles and trucks.....	82,979	+94,668	125,170	65,573	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$24,857	\$21,873	\$28,264	\$15,172	\$19,433
Electric power output (million kilowatt-hours).....	5,470	15,508	5,646	4,868	3,130
Crude oil (daily average, 1,000 bbls.).....	5,611	5,641	5,615	5,291	3,842
Bituminous coal (daily average, 1,000 tons).....	1,898	11,886	2,026	1,680	1,685

## TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	79	77	82	84	86
All other carloadings (daily average, 1,000 cars).....	50	49	59	56	52
Money in circulation (millions).....	\$28,325	\$28,560	\$28,322	\$28,868	\$9,613
Department store sales (change from same week of preceding year).....	+32%	None	-5%	+28%	+17%
Business failures (Dun & Bradstreet, number).....	128	116	126	58	228

**PRICES (Average for the week)**

Cost of Living (U. S. Bureau of Labor Statistics, 1935-39 = 100), Nov.	172.2	173.6	164.9	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100)	394.7	339.6	399.6	450.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	279.4	278.1	279.8	288.6
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	311.8	313.7	319.9	415.9
Finished steel composite (Steel, ton)	\$95.50	\$95.50	\$95.50	\$78.05
Scrap steel composite (Iron Age, ton)	\$43.00	\$43.00	\$43.00	\$40.00
Copper (electrolytic, Connecticut Valley, lb.)	23,500¢	23,500¢	23,500¢	21,500¢
Wheat (Kansas City, bu.)	\$2.27	\$2.27	\$2.33	\$2.95
Sugar (raw, delivered New York, lb.)	5.73¢	5.64¢	5.72¢	6.32¢
Cotton (middling, ten designated markets, lb.)	32.21¢	32.25¢	32.20¢	35.50¢
Wool tops (New York, lb.)	\$1.698	\$1.695	\$1.752	\$1.880
Rubber (ribbed smoked sheets, New York, lb.)	19.00¢	19.00¢	18.40¢	22.81¢

## FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	120.1	120.6	120.5	120.9	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.50%	3.51%	3.55%	3.54%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.75%	2.77%	2.81%	2.87%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-14%	14-13%	14-13%	14%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	14-13%	14-13%	14-13%	14%	4-3%

**BANKING** (Millions of dollars)

Demand deposits adjusted, reporting member banks	47,794	47,928	47,341	48,685	+127,777
Total loans and investments, reporting member banks	62,751	63,141	62,330	64,816	+132,309
Commercial and agricultural loans, reporting member banks	15,561	15,614	15,527	14,658	+16,963
Securities loans, reporting member banks	2,002	1,963	1,647	1,674	+11,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	32,987	33,455	33,075	37,227	+115,999
Other securities held, reporting member banks	4,205	4,148	4,163	4,260	+14,303
Excess reserves, all member banks	1,050	710	800	1,499	5,290
Total federal reserve credit outstanding	24,113	24,221	23,783	23,181	2,265

\*Preliminary, week ended January 1st.

†Revised

‡Date for "Latest Week" on each series on request.  
 ††Estimate (BW—Jul. 12'47, p16).

# TO A PAINT MANUFACTURER WHOSE 1949 SALES DEPEND UPON HIS SUPPLY OF CANS

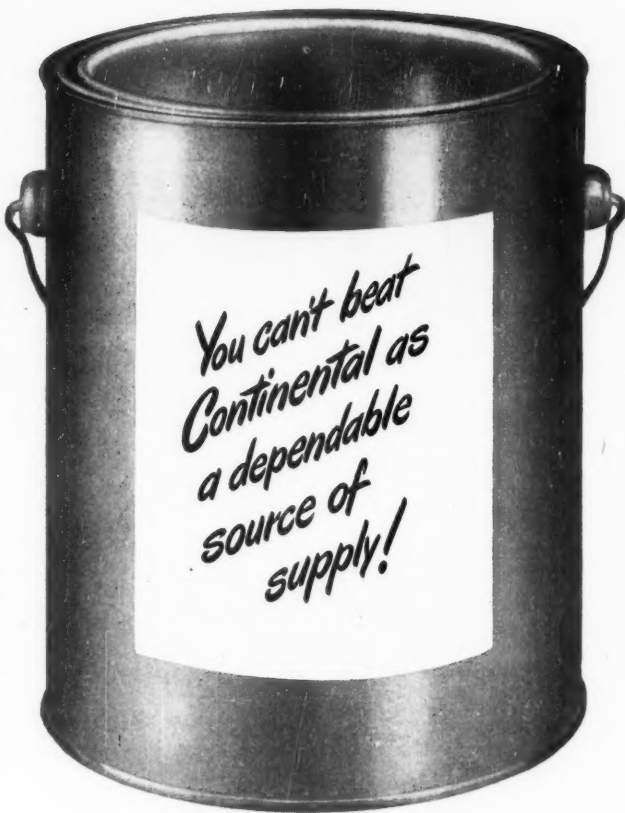
You know that next to the paint you make there's nothing more important than the cans and pails you pack it in.

You know, too, that a dependable supply of paint cans and pails is vital to your 1949 sales program. It's sound business to protect yourself. Get the most dependable source of supply possible—Continental Can Company.

We're big enough\* and flexible enough to keep your supply of containers flowing. And we can give you the high-quality paint cans and pails you need when and where you want them.

"Tripletite" cans and pails are available in a complete line of sizes and are made in a number of modern plants strategically located around the country. From the standpoint of tight-sealing and all-round quality they will meet your most exacting requirements. And the quality of "Tripletite" cans is matched by the quality of Continental service. We have an extensive research staff and sales organization geared to give paint manufacturers the kind of service they want. More important, we have the eager-to-please attitude toward our customers that can mean a lot in "tight" situations.

Why not check with Continental today?



## CONTINENTAL CAN COMPANY

100 East 42nd Street

New York City 17, N. Y.

\*MAKERS OF: Tin Cans • Fibre Drums • Paper Containers • Steel Containers • Plastic Products • Crown Caps and Cork Products • Decoupage • Machinery and Equipment

# WASHINGTON OUTLOOK



**TRUMAN'S DESIGN** for shaping the economy by Government is off to a fast running start.

He will get from Congress all the power he needs to launch the new New Deal he spelled out in his State of the Union message.

You can tell that from the way his men took over the new Congress. This is a Truman Congress, without a doubt; note that 225 Democrats—seven more than a majority—voted Speaker Rayburn the power to ram Truman's program through. There has never been any doubt about the Senate.

So business will have to plan on living with more and more government in the front office. Such things as these are coming:

- The government setting up shop to expand capacity in industries where management doesn't do it fast enough to suit Washington; that's been true in electric power for years; now come steel and possibly synthetic oil.
- Channeling of key materials to enterprises government favors or deems essential; for example, Truman told Congress he could use allocation powers to supply builders who will put up cheaper housing.
- Stepped-up pressure to keep basic prices in line; you might even see some authority to impose ceilings.
- A less favorable set of rules for management at the collective-bargaining table, when Taft-Hartley is ripped up.
- More specific curbs on corporate concentration, such as prohibiting mergers by acquisition of physical assets.

And there will be higher taxes, too—not all of the \$4-billion Truman asked, but enough to pay for more public works, more welfare benefits.

All this is ultra New Dealish, of course. But Truman is a New Dealer. And note that his message says: "The recent election shows that the American people are in favor of this kind of society . . ."

In today's world, Truman has another purpose in pushing for this kind of society. Note also that Truman said: "Our domestic programs are the foundation of our foreign policy . . ."

Behind those words is this philosophy: The strength and health of the productive economy is the real source of the nation's security.

**TRUMAN'S STUBBORNNESS** on military spending is evidence that he puts the health of the economy ahead of the size of the standing army in figuring national security.

He insists that military spending be kept to \$15-billion. Yet he asks for more taxes to pay for more domestic projects.

A lot of people haven't been able to understand why. Just to continue the military program started last spring, the Pentagon figures, would cost \$17½-billion. We've been poking around, asking Truman people whether the President really is retrenching. Here is what we find:

Fundamentally, Truman's conclusion boils down to this: There's a point beyond which more military spending means less national security. Truman's economic advisers tell him this point is \$15-billion.

Behind this is another Truman conclusion: The cold-war period of standing off Russia is going to go on for years; it won't erupt into real war in the near future.

Truman knows he can't buy enough military strength to wage war on a minute's notice—not without going to a war economy.

It would cost \$30-billion a year to get ready to fight by 1952, the Pentagon figures. And after 1952, you would have to keep spending at this level indefinitely. By the time you had built up the military to a war footing, obsolescence would make you start all over again.

Do that, Truman thinks, and you would simply be playing into Stalin's hands. You would drain the economy, sap the nation's ability to stay strong over the long haul. Fewer soldiers and guns now will leave you better able to wage war later, if you have to.

Truman, then, doesn't really think a \$15-billion ceiling on the military budget would undermine American foreign commitments. Like any civilian, he thinks of defense in terms of annual expenditures.

Last spring, Truman raised his break-point on a safe level of military spending by \$3-billion. It was Congress which translated his March alarum into a program of more planes and more men that would require further dollar increases in each succeeding year.

Even so, Truman has not let the Pentagon

# WASHINGTON OUTLOOK (Continued)

build up its forces as fast as Congress authorized. Now, in his budget, Truman is again recommending his dollar level for the military.

• Congress still doesn't see this problem of military strength vs. a productive economy quite Truman's way.

For instance, Chairman Carl Vinson of the House Armed Services Committee already has a legislative program that would permanently establish the Air Force at 70 groups, the Army at 790,000 men.

This would cost \$17½-billion in fiscal '50.

• **MARSHALL WON'T BE BACK**—actively, at any rate—as Secretary of State.

His recovery from a kidney operation has been slower than expected. So he insists that Truman, finally, release him from public service.

Truman will delay appointing a new secretary as long as he can. When he does, the choice is most likely to be Dean Acheson, former Under Secretary, or Averell Harriman, former Ambassador to Moscow and former Commerce Secretary who is now ECA boss in Europe.

Vandenberg—Marshall's personal favorite as his successor—is out of the running.

Under Secretary Lovett (who is running State until Marshall is released) will leave with him, to permit the new secretary to name his own No. 2 man.

• **STRATEGIC-MATERIALS SHIPMENTS** as token repayment for Marshall Plan aid just aren't coming in as expected.

To get something back for the billions in grants, Congress wrote into the plan a requirement that 5% be repaid in strategic materials.

To date only \$18-million worth has been received—26,000 tons of rubber, 2,000 tons of sisal, and \$4-million worth of industrial diamonds. That's 10% of what was called for.

Big reasons why the scheme isn't clicking:

(1) Most of the countries getting gift money argue that they don't have any such goods to spare.

(2) Some balk at closing deals with ECA because they find they can sell their strategic materials for dollars through regular markets.

• Hoffman's remedy will be to ask Congress to relieve ECA of this part of the job.

The problem as he sees it is to expand output of strategic materials abroad, rather than to exact repayment out of existing facilities. But he is finding that he can't get Europe to expand output primarily for a short-term U. S. stockpiling program.

That's why ECAers keep talking up a new government agency to make purchase contracts for 10 or 20 years; that would guarantee a market for the extra production (BW-Sep. 25 '48, p15).

• **RUSSIA IS BUILDING UP** dollar balances (BW-Dec. 18 '48, p16) by selling the U. S. more goods than this country permits it to buy here. One reason: to finance purchases of key commodities from sterling nations.

Here's how it is done:

Russian traders use the dollars to buy pounds sterling in New York from Danes, Norwegians, Americans—at discount prices ranging from \$3.20 to \$3.80 per pound (official rate is \$4.03). With the cheap sterling, Russia then buys tin, rubber, wool, and the like from Ceylon, Malaya, Australia.

Result: The British are losing dollars they would otherwise earn for their pool. Also, the British find themselves—unwillingly—helping the Soviets build up their supply of strategic materials.

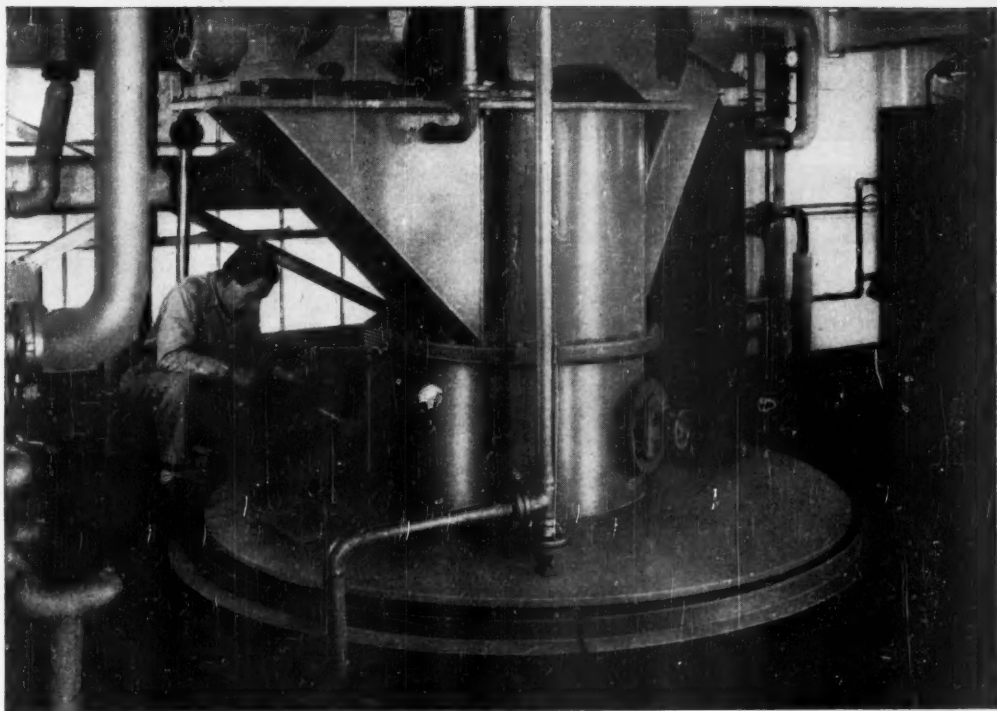
• **DUTCH "POLICE ACTION"** in Indonesia (page 101) threatens to kick back on U. S.-European relations. Involved are plans for a security alliance between the U. S. and West Europe, and for armament lend-lease to friendly nations.

You get this feeling particularly from influential members of Congress—who, after all, will have to O. K. such schemes. They ask: How can we pledge aid to a nation which resorts to force in violation of the U. N.?

The question could become serious in the forthcoming spring debate, unless there is a face-saving solution.

• Two defeated Republicans—Sen. Cooper of Kentucky and Rep. Gwynne of Iowa—are being talked for the G. O. P. vacancy on FTC. Truman's specifications: a hard-hitting Republican with a government-business background; someone not committed on delivered pricing. . . .

• ECA boss Hoffman has received more than 3,000 telegrams and letters protesting his plan to abandon the policy that assures U. S. ships at least half of Marshall Plan cargoes.



Nickel alloys are widely used for equipment in the edible oil industry. Shown above is the top of an extractor column in which oil is removed from cottonseed flakes.

## How the Edible Oil Industry helps improve Your dinner

Some 3,000,000 tons of cottonseed, soybean, peanut and corn oil were produced by the nation's edible oil mills during the past year...

Part of America's huge vegetable oil output is utilized in manufacturing the mayonnaise and salad dressings that add taste and nourishment to your dinner. And tons of these oils are used as basic ingredients in margarine and in shortening for baked goods.

Operators of oil mills in the United States, along with designers and producers of equipment used in this industry, deserve great credit for important innovations that have improved quality and quantity of output.

Time-honored mechanical methods of pressing oil from seeds and nuts are being augmented by new solvent extraction methods. But whatever the methods used, corrosion-resistant materials have long helped the industry maintain product purity at every stage of edible oil processing.

For years the technical staff of International Nickel has

worked hand-in-hand with engineers, designers, metallurgists, research and production men in the edible oil industry on a wide range of metal problems. To this extent Inco has contributed to the continuing improvements in performance of processing equipment.

Through this and comparable experience gained in technical service throughout industry, International Nickel has accumulated a fund of useful information on the properties, treatment, fabrication and performance of engineering alloy steels, stainless steels, cast irons, brasses, bronzes, nickel silver, cupro-nickel and other alloys containing nickel. This information is yours for the asking. Write for "List A" of available publications.

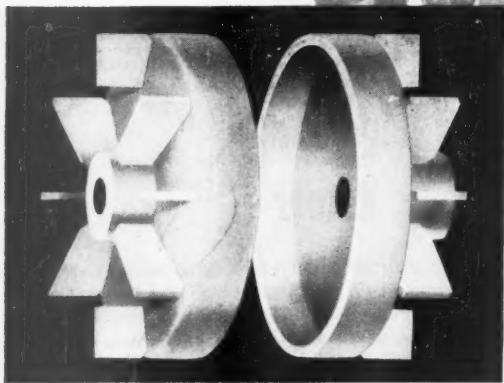


**THE INTERNATIONAL NICKEL COMPANY, INC. NEW YORK 5, N.Y.**

## G-E SILICONE EMULSIONS CUT DIE CASTERS' COSTS

When die casters use General Electric silicone emulsions as mold release agents they get smooth castings. These emulsions give easy release with a very thin film, reduce the break-in time of new molds, and decrease the down time required for cleaning cores and dies.

### *How G-E Silicones can help you*



Could you save labor, maintenance, and improve your manufacturing methods by using a chemically inert, temperature-resistant material? Then you'll want to explore the applications of General Electric silicones.

These amazing materials, characterized by their indifference to extremes of heat and cold, are constantly finding new uses throughout industry, extending design possibilities and facilitating production. General Electric silicone oils, for example, will not decompose in temperatures as high as 400 F. And they retain their viscosity even in cold as low as -90 F. General Electric silicone greases are proving to be superior lubricants for plug cocks and valves, because of their resistance to chemicals and heat.

General Electric silicone rubber will not soften at 350 F, or become brittle at -10 F. It can be supplied in extruded shapes, in compression-molded sheets, or in paste form. G-E engineers will modify compounds to meet specific requirements. And remember to investigate G-E silicone gum.

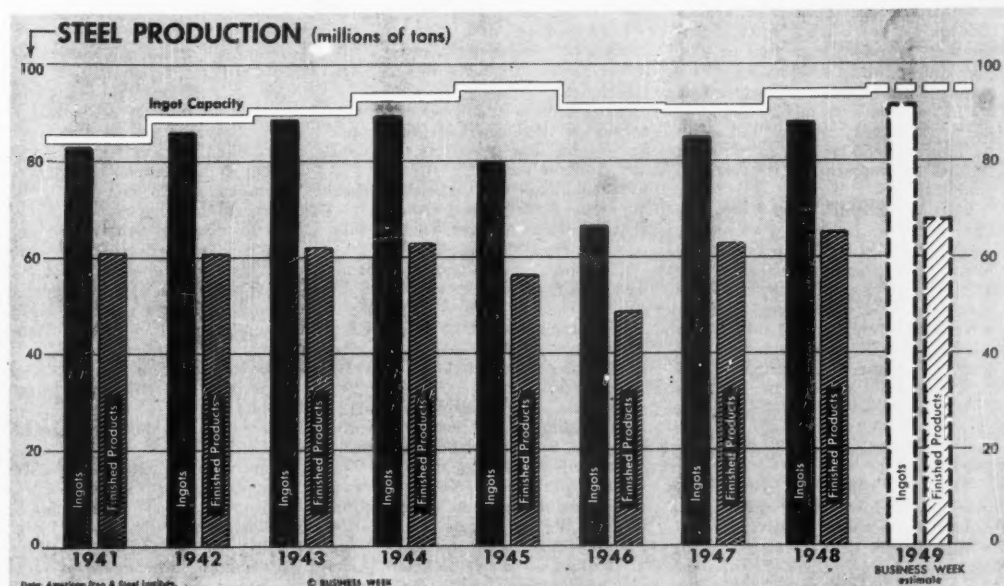
Here's a new raw material for rubber and compound manufacturers which will permit them to produce a rubber with new standards of chemical and heat resistance.

WANT TO KNOW MORE ABOUT G-E SILICONES? Perhaps they can help with your production problem—or improve your products. Write for more information to: Section 35-1, Chemical Department, General Electric Company, Pittsfield, Massachusetts.

GENERAL  ELECTRIC

CEM-9-Q1





INCREASED OUTPUT of ingots and finished steel to record highs, plus some soft spots in demand, mean that . . .

## The Supply of Steel Is Getting Better

First signs: weakening of gray-market prices; fewer conversion deals. Steel is still right, but market heads toward normalcy.

The frantic demand for steel is subsiding. Gray market prices are skidding. Conversion deals are less common.

But steel is still not easy to get.

• **100% Miracle**—That's the supply situation this week as the steel industry begins 1949 production at 100% of "ingot capacity"—1948's rated capacity, that is. (Actually, the official rated capacity is being moved up this week to a little over 96-million tons, reflecting an expansion of 1.8-million tons during the past year.)

This 100% miracle rate is one of the brightest spots in the industry today. Output estimates of 92-million tons of ingots and 66-million tons of finished products are now considered safe for 1949. Both of those would be record-breakers. Only a production paralysis caused by strikes seems capable of upsetting those industry forecasts. The current situation and the

outlook for the future are both grounded on these factors:

**High-level operations** all through the year are going to make the steel supply problem progressively less troublesome. By midyear, probably, gray markets will have faded out. Conversion deals (buying unfinished steel at one mill, having it rolled at another) will be less popular. And, if business slacks off, even the long-awaited balance of supply and demand could occur before the end of 1949.

**Further expansion** of basic and finishing capacity will take place. During 1949, steel furnace capacity will be enlarged by more than 2-million tons. More facilities for finishing steel in the form of sheets, strip, pipe, and other items are already scheduled for completion in 1949.

**Reduced buying** by some customers—principally in the appliance field—is

a sure thing. Peak sales periods for almost all appliances were passed in the latter part of 1948. Lower production and sales will call for smaller supplies of steel.

**No big increases in demands** for steel to fill quotas under government allocations are looked for. Practically all of the current programs will be continued; a few new programs will be added. But monthly steel requirements for the allocation program should not greatly exceed 500,000 tons.

**Better material supplies** will make peak operations of steel furnaces possible. There's more scrap on tap today than at any time since prewar. Record stocks of iron ore are on hand. Coal stocks are also high.

• **More New Facilities**—Although the steel-supply picture is getting a lot better, steel makers are not abandoning plans to install new facilities and replace old ones.

**U. S. Steel Corp.** disclosed plans this week to step up production at the Duluth (Minn.) works of its subsidiary,

American Steel & Wire Co. The basic steel capacity of that plant will be raised 25%—about 240,000 tons a year. Big Steel's program also calls for an addition of 300,000 tons to its rated ingot capacity by installation of new Bessemer converters in 1949 at National Tube Co., Lorain, Ohio.

**Bethlehem Steel Corp.** reaffirmed its intention to continue its postwar construction program. Last week it filed with the Securities & Exchange Commission a registration statement covering \$50-million of bonds and 627,960 shares of common stock. It will spend the money to add facilities in its plants, and for development of raw material properties.

**Jones & Laughlin Steel Corp.** will start this year to build a six-furnace open-hearth shop in Pittsburgh. These furnaces will mean a net increase of over 400,000 tons a year in the ingot capacity of J. & L.'s Pittsburgh works.

• **New High**—All these expansions may not be net additions to capacity in the long run. Some older equipment will be retired. But new developments, such as the use of oxygen and top pressure blowing (BW—Nov. 27/48.p69), will raise the potential output of existing units.

The result will be a rated capacity next year higher than at any time in American steelmaking history.

• **Auto Supply Outlook**—In 1949, the smaller drain on steel supplies by some users will be of benefit to other customers. The steel that an appliance maker does not take will be released to a manufacturer in another industry still hard pressed for steel. By and large, the automobile companies will get all of the steel that would otherwise have gone to producers of stoves, ranges, and other appliances.

This redistribution of finished steel among customers is counted on heavily to cut down buying pressure. It has been having an effect already on the gray market. Steel sheets, priced at the mill at \$80 a ton, are now selling on the gray market at about \$170 a ton. Two months or more ago, the gray market quotation was about \$275.

It's the same story with conversion deals. Steel users will of course avoid paying conversion-deal premium charges—which may run to \$100 a ton—if they feel they stand a chance of getting what they want direct from one mill.

• **Toward Normalcy**—The end of the steel shortage is not here yet. That will come gradually. First, the gray markets will disappear completely; then conversion deals will be abandoned; finally, normal steel merchandising will return. The steel market now appears to be taking the first steps back to normalcy. A business recession of any considerable dimension will practically insure its getting there this year.

## Economists in Bull-Session

American Economic Assn. discusses inflation, labor, monetary policies at annual meetings. One main conclusion: Inflationary pressure is slackening—at least temporarily.

Every year, just after Christmas, the nation's professional economists get together for an exhaustive but dignified bull-session.

These talks invariably wind up with conclusions that can have significance for your business—if you can figure out how to apply them.

• **No Solutions**—The 61st annual meeting of the American Economic Assn.—held last week in Cleveland—was fully as exhaustive as its predecessors.

Of course, no particular problems were solved. But, then, no one had set out to solve any.

From the give-and-take of each panel discussion emerged this sort of composite of professional economic thinking on four major topics:

**Inflation.** The economists were almost unanimous in their belief that the danger of further inflationary pressure has abated—at least temporarily.

Paradoxically, they were more concerned about what the inflation-deflation situation may be six or eight years from now than about what may develop in the next six or eight months. The cold war, of course, is the key; if it con-

tinues, it will mean more increases in government spending, smaller allotments of consumer goods.

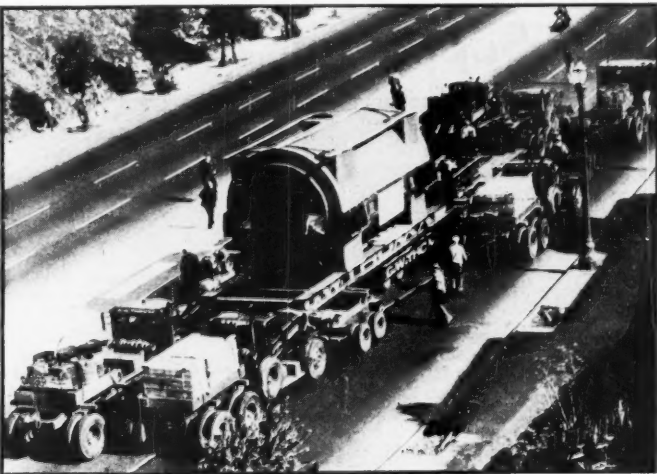
All agreed that the government should stand ready to act in case of a sudden, severe change in economic climate. But there was a lot of disagreement as to the direction—and distance—government should go.

Generally, the feeling favored preparation for deflation—even at the risk of being caught off guard by further inflation. Taxation and spending were considered better than money manipulation in counteracting the swings of the business cycle. But even this was labeled an imperfect instrument.

**Monetary policy.** There was a lot of disagreement over the place of monetary policy—and the role of the Federal Reserve Board—in the postwar economic picture.

Some speakers felt that the practice of supporting the price of government bonds would make the interest-rate structure so rigid that it could not adjust to prosperity and depression.

In addition, dependence on Treasury surpluses, used in debt retirement to



### Big Armature Reaches End of Tough Haul

Like Gulliver in the hands of the Lilliputians, this 355,000-lb. armature was eased up and down the hills of San Francisco. Part of a new General Electric turbo-generator built for Pacific Gas & Electric Co., the armature

arrived in San Francisco on a special flat car. It took five days to move it to this specially built, 74-wheel trailer. And seven trucks—five pulling, two pushing—strained to move it along the route to the power station.

combat inflation, was condemned as unsound. The reasoning here is that it makes anti-inflationary policy subject to the vagaries of the budget.

But in the minds of most of the economists, the question of federal reserve policy—and of monetary policy in general—was considered somewhat academic. The reason: Recent experience has shown that interest rates and open-market operations are not of first importance in directing the economy. Fiscal policy, with all its limitations, is far more significant.

**Government Controls.** On the surface, there seemed to be more disagreement over this point than over any other raised at the meeting. But actually the disagreement was more apparent than real. Of course, everybody deplored the use of controls for their own sake. Some, however, felt that the U. S. could never mobilize for war without them.

Others—with the experience of the late war in mind—thought that moderate inflation would be a better means to get the economy switched to a war basis. If regulated through taxation and monetary policy, they felt, inflation would be more efficient in diverting goods from the civilian to the military sector. Three advantages were argued for allocating by price:

(1) It involves no complex administrative machinery.

(2) It is more honest; controls delude the people into believing that gains in money income are real income gains.

(3) It diminishes the difficulties of reconversion to a peacetime economy.

But the advocates of moderate inflation concede that it cannot be applied to a sudden emergency. So the question boils down to one of degree in timing. If it should become necessary to go on a war footing overnight, controls would be a must. For a drawn-out cold war, controls can be minimized, or possibly avoided entirely.

In an intermediate situation, the economists would prefer to see set-asides, limitation orders, allocations, and rationing used in that order before price controls are imposed.

**Labor.** Much of the discussion in this field centered about the prospects for compulsory arbitration. Here the forecasters were by no means unanimous.

Some saw an increasing trend toward government-imposed settlements. The argument: The public has lost patience with those responsible for strikes in large-scale industries; it insists on speedy settlements.

Others felt that greater use of voluntary arbitration could forestall government intervention. Where voluntary methods fail to halt emergency tie-ups, they suggested an injunction to grant time for mediation efforts. The last resort should be government seizure.

## Christmas Sales: Same as '47

Good final week pulled stores out of a bad spot. Little distress selling expected; inventories are manageable. So repercussions on business in general will be few.

Retailers were going over their Christmas sales records this week, after a season that had given them their worst scare in who knows when. Most of them were relieved, but still shaken. They size up their situation about like this:

Christmas sales were a big disappointment. But they were not a disaster. Volume for the season as a whole was at least equal to 1947. And that means it was colossal by prewar standards. If retailers hadn't been counting on a year-to-year gain of 10% or more, 1948 Christmas sales would have looked wonderful to them.

• **Effect on Business**—Most stores are starting the new year feeling safe but cautious. So the November-December sales performance isn't going to have much immediate effect on general business, one way or the other. It wasn't bad enough to touch off a wave of inventory liquidation and order cancellation. On the other hand, it wasn't good enough to strip the shelves and start retailers scrambling for goods.

Had it not been for the last-minute buying rush, retailers would have had a far sadder story. All through November and early December sales were well under the 1947 level. Plenty of potential customers wandered through the stores, but they kept on walking when they looked at the price tags. Sales of heavy appliances fell off suddenly. Men's clothing dragged. High-priced lines in general dropped farther and farther behind 1947.

By mid-December, stores all over were marking down goods and pouring on extra promotion (BW-Jan. 1 '49, p. 42). They also were canceling orders and trying desperately to cut inventories in the slow-moving lines.

• **Life Saver**—The final week of the season pulled most stores through. Christmas week had five shopping days in 1948, against three in 1947. And during those two extra days retailers made up for lost time.

The Federal Reserve Board's tally of department-store sales in the week ended Dec. 25 showed a 32% jump over 1947. That put the four weeks ended with Christmas 4% over the previous year. The four weeks ended Dec. 18 had been down 3%. The month of November was down 7%.

• **Clearances**—Even though things turned out all right in the last chapter, retailers have had a bad scare. Some are coming out of the Christmas season

with their inventories heavier than they like. January clearances this year are going to be bigger than at any time since the start of the war.

Besides the traditional white sales, stores are already taking markdowns on such things as men's wear, furniture, and small appliances. Sunday's papers were full of cut-price ads for women's fur coats. A New York shoe chain has cut its higher-priced line \$3 a pair. Crawford Clothes, which recently cut its men's clothing prices 20% (BW-Oct. 23 '48, p. 24), has extended the cut to all the merchandise in its stores.

• **Talk**—Even so, the talk about post-Christmas bargains has been more extensive than the bargains themselves. Often the goods with cut prices are shelf-damaged or odd-size—the usual run of clearance items. Bargains on standard goods aren't too common.

The fact is that most of the big stores came out of the season with their stocks in thoroughly manageable shape. The lag in sales started early enough to give everyone plenty of warning. Anxious store managers didn't wait until after the holidays to mark down the lines that worried them. Consequently, the inventory troubles of the big operators are fairly minor.

• **Stock Statistics**—Federal Reserve figures for 296 large department stores show how cautious pre-Christmas inventory policy was. At the end of October stocks were \$1,058,000,000, about \$145-million over 1947. At the end of November, stocks were \$1,051,000,000, only \$110-million above 1947. But the real drop was in outstanding orders. The 296 stores cut their orders from \$507-million at the end of October to \$385-million at the end of November. A year ago, the end of November figure was \$605-million. Thus, there is just that much less merchandise backed up on shelves now.

For the big stores, there will be some liquidation this January. But the retailers will be in control of the situation; there will be little or no distress selling.

• **Small Retailers' Position**—Some of the smaller operators, however, may not have been so fast on their feet. And if they were not, they probably are in trouble now. A man who planned on topping 1947 by a wide margin is likely to have an uncomfortable load of merchandise on his shelves today. And in the present market, the only way he can move his stocks out is to mark down his price.



**\$5-Million Loss:** Spontaneous combustion of starch dust touched off this blaze at Brach candy factory in Chicago. Combustible materials, says National Fire Protection Assn., should be stored so as to minimize destruction in any single fire

## Big Fires Cost Industry \$150-Million



**\$700,000 Loss:** Lightning touched off blaze in store of John Bressmer Co., Springfield, Ill.

Fire still ranks among the top hazards of American business. Last year flame and smoke destroyed \$275-million worth of property in the U.S. and Canada. There were 275 fires which resulted in losses of more than \$250,000 each (88 caused damages of more than \$1-million each). That was 73 more big fires than in 1947. In all, these "big" fires took a toll of \$150-million in damages to manufacturing plants, warehouses, stores, and hotels.

And in most cases, the fires were traced to causes that with a little care could have been avoided.

So reported the National Fire Protection Assn. last week in its year-end review. Pointing its finger at management, the association laid much of the blame on lack of automatic protective equipment. Too many companies, it said, were willing to gamble on higher insurance premiums as substitutes for the high costs of installing modern fire prevention equipment. "This was true even where public facilities were "recognized as inadequate."

• **\$5-Million Fire**—The worst fire of the year, in damage done, was at E. J. Brach & Sons candy factory in Chicago. On Sept. 7 a starch-dust flash fire swept through the plant, caused 17 casualties, and left a trail of \$5-million in damage.

The other 87 \$1-million fires were

divided this way: 29 in metal-working plants, 17 in food processing, 14 in wood-working, 6 in chemicals, 5 in textiles, 4 in paper products. The rest were scattered through other industries.

• **Familiar Story**—In case after case, the association's report recited twice-told tales:

At Majestic Co., Huntington, Ind., a spark from an electric spot welder ignited a 200-gal. tank of naphtha-thinned paint. In a whoosh, the plant was on fire. Some of the automatic sprinklers wouldn't work, the association says, because of repairs on a broken fitting.

In Durham, N. C., a huge food warehouse of Colonial Stores, Inc., burned as firemen stood helplessly by for lack of water.

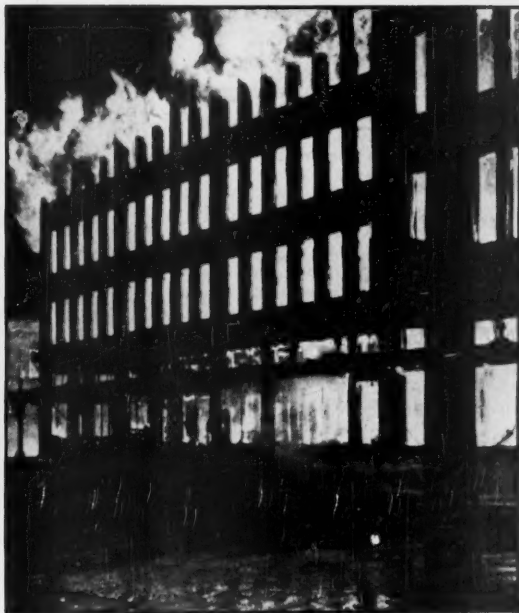
Seven warehouses went up in smoke and suffered damages of more than \$1-million. Principle causes: inflammable liquids, defective heating and lighting systems.

• **Open Stairwells**—Three of the 35 mercantile fires on the "big" list resulted in damages of more than \$1-million. The most serious was in Laramie, Wyo. Nine buildings were gutted in the business section as fire swept up open stairwells and elevator shafts. On an early May morning in Springfield, Ill., a bolt of lightning struck the John Bressmer Co. store. It touched off a blaze that leaped



**\$500,000 Loss:**

Fire of "undetermined origin" left blackened assembly line at Ford Rouge plant



**\$1-Million Loss:**

Flames whipped by 45-mile gale leveled this entire business block in Laramie, Wyo.

## in 1948

through unprotected floor openings, and swept through inflammable stocks. Total damage came to \$700,000.

Only one category of business came in for what amounted to praise. Hotelmen, the association said, have evidently wised up since their disastrous siege of fires in 1946. Due to fire protection and prevention devices, none of the 1948 hotel fires was as bad as those of 1946.

• **Prevention Rules**—The National Fire Protection Assn., a nonprofit organization with headquarters in Boston, publishes and circulates thousands of pamphlets to industry on fire protection every year. Most of them stress common-sense suggestions like these:

**AUTOMATIC SPRINKLERS**, and fire detection devices, are among the best-proved means for containing blazes.

**FIRE STOPS**, both vertical and horizontal, are "musts" in all industrial buildings.

**PLANT FIRE DEPARTMENTS** should be set up, trained, and equipped with tools for manual fire-fighting.

"**NO SMOKING**" rules should be enforced in all hazardous and semihazardous areas. Careless smoking is a major fire threat.

**GOOD WATCHMEN** are essential. Millions of dollars are lost every year because over-age employees are made watchmen when management decides they are not efficient enough for other work.



**Human Loss:**

Thousands are killed or injured (like this employee of Brach Co.) in industrial fires every year. This damage is incalculable

## Button Your Lip

**Is your phone line being tapped by a competitor? If it is you may never know it—thanks to new methods.**

Better be careful what you say over the telephone if you want to guard your trade secrets. Latest wire-tapping techniques make it almost impossible to tell whether there is an unwelcome third party to your private conversations.

• **Finch's Testimony**—That's what a communications expert told a committee of New York City criminal lawyers that is investigating wire tapping in New York state. The expert: William G. H. Finch, president of Finch Telecommunications, who served in wartime naval intelligence.

Businessmen would do well to note his testimony, for other evidence given the committee has indicated that the use of wire tapping for business purposes is spreading. Little can be done about it under state or federal laws, unless you catch the tapper in the act. And the committee takes this aspect so seriously that it will devote further hearings to it.

• **Easy to Rig**—Finch showed the committee two types of equipment that can pick up phone conversations from a distance, without physically cutting in on telephone wires. One was an induction coil, sold in radio stores for about \$4.85. Finch said this could pick up conversations through a wall, or even as far as 30 ft. away.

• **Check Credentials**—Finch also implied that a businessman might do well to check the credentials of telephone repairmen. A good electrician in the pay of a competitor could of course "put the tap" on your wires in this way. He could also substitute for the phone on your desk another one equipped with a device that picks up conversations anywhere in the room—whether or not the receiver is off the hook.

According to Finch, there is no reliable way of telling when your phone is being tapped by indirect methods. You might notice a weakening in the voice of the party you are calling—if the tapper didn't do his job right. Of course, when a tapper cuts directly into your line, you might hear a click and a weakening of the other party's voice. But Finch told the committee that "a direct tap belongs to the horse-and-buggy days."

• **Little You Can Do**—He told the committee that anyone with access to telephone lines—an apartment-house superintendent or night watchman, for instance—could entertain himself by tapping wires directly with a headphone

set, costing about \$1.25. In early New Deal days, he said, a Washington watchman was once detected listening thus to White House conversations.

The telephone company takes a hands-off attitude on wire tapping. If you should happen to suspect your line is being tapped, the company will check it and remove the tap, if they find one. But that's all they can do for you. You can complain to the Federal Communications Commission, but don't expect much.

## Florida Beckons

**Tourists are streaming in by auto, train, and plane, but they aren't spending so freely as in last few years.**

When the season along south Florida's gold coast gets off to a slow start, local businessmen pull out an old chestnut: "There's nothing wrong that a good blizzard up North wouldn't cure."

This week, hotelmen, merchants, and roadhouse keepers were pretty sure that the North's bad weather would bring the tourists down, all right. They expect to see just as many bodies sunning on Miami Beach and Palm Beach as last season. But it was beginning to look as if the glitter would be furnished by dimes instead of \$10 bills.

• **Business Index**—What makes the condition of business in Florida of interest far beyond the state borders is this: The postwar resort boom has set up Florida as almost an index of the public's ability—and willingness—to spend freely.

So far this season—even though reservations may be hard to get for the most popular winter weeks—the signs are clear that the nervous-money days of the immediate postwar era are gone.

• **Omens**—Some of the signs: In the first 18 days of its season, Tropical Park racetrack lost \$100,000. Crowds turned out, but only the \$2 windows did much business. Reservations at hotels in the Miami Beach area were reported down by as much as 30% from last year, which itself was a dud—by 1946's standards. In Palm Beach they were reported down 20% to 30%. Hotelmen were talking in terms of a six-week season—against the usual 10.

But there is a bright side to the picture, too. Florida businessmen prefer to talk about that.

• **Here They Come**—Tourists may be watching their money, but they are arriving. Fort Lauderdale reports that garbage collections (a local index of the tourist situation) have increased 32% over the same period last year.

Several south Florida communities

say autos were streaming in bumper to bumper.

Rail and air traffic is up, too. Demand for Pullman space was so great in early December that railroads serving Florida put their winter schedules on two days early. The Atlantic Coast Line R. R. reported that, up to this week, its passenger loadings out of New York had already run 7% ahead of last year's.

Eastern Air Lines' passenger bookings were running ahead of last season's by 20%; but it attributed part of the gain to a greater number of flights being available.

• **Added Accommodations**—To Miami Beach, especially, this news was heartening. The town figures it needs at least 45,000 more tourists this season than last to keep its living quarters filled week after week. That's because some 1,800 new hotel rooms and 940 new apartment units have been added.

Room rates—even with the increased supply—are holding fairly steady. You can get some accommodations at \$6 to \$12 a day. But more than 100 beach hotels are charging \$18 a day and up.

• **Who Gets Business**—In general, hotels in the best reservation situation are those that have been under the same management for several seasons. That's due to their high percentage of repeat business. Also, newer hotels who have hired managers with a following report pretty good bookings.

But brand-new hotels, and hotels that have changed management frequently (120 hotels changed hands in the first two postwar seasons) are not doing so well. That's because many of the new hotels were opened by operators eager to turn a quick dollar. Since they weren't out to set up a steady clientele, they charged all the traffic would bear the first season, then sold out.

• **Competition**—To keep the tourists coming many Florida businessmen are using more advertising and promotion. Miami Beach trebled its promotional advertising for October, November, and December.

Most resort operators are well aware that from now on there will be increased competition for winter tourists' dollars, which had few places to go other than Florida during and just after the war. The return of transatlantic travel is one factor. So are winter cruises. So is the growth of Mexican and Caribbean resorts. Transportation to the West Coast is easier.

But no matter how good things are compared to prewar days, Florida resort businessmen—from papaya juice vendors on Biscayne Boulevard to exclusive shopkeepers at Palm Beach—will always shed a tear over the passing of the 1946 season—which they would much prefer to hold up as a norm.



SENATOR FROM WYOMING Joseph C. O'Mahoney: In the 81st Congress he will be...

## New Deal Policy Man

An interview with Sen. O'Mahoney. His thinking, in the joint economic committee, will guide the Administration's domestic legislation. He favors a regulated, but not a controlled, economy.

Sen. Joseph C. O'Mahoney, of Wyoming, is the new chairman of the Joint Committee on the Economic Report—a committee which will have a major influence on the economic program of the new New Deal. Indeed, O'Mahoney, more than any other single congressman, will determine how much of that program becomes law.

Just what is O'Mahoney up to? What are his politics? Is he out to put business under government control, a charge frequently made? Or is he, as he contends, only pointing a way for business to escape regimentation, and for the capitalistic system to survive?

This week, *BUSINESS WEEK* went to the senator himself for the answers. Here is a verbatim account of that interview, which goes squarely to the heart of those questions:

**Q.** When Sen. Taft was chairman of the joint economic committee, he felt the committee's job was to point out ways of correcting any dips or spirals that might develop in the economy. What is your attitude toward the broad role of the committee?

**A.** We should be preventive as well as corrective in our outlook. I favor action before a depression takes place, not afterward. The present uncertainties are a direct result of failure of the

committee and of Congress to follow a preventive and constructive course during the last session.

**Q.** What do you think should have been done?

**A.** Congress should have carried out a substantial part of the President's recommendations. And the Democratic Party now must do it.

**Q.** What do you see as the most basic problem facing Congress?

**A.** We cannot allow the economy to be directed by the managers of big business. By necessity, they must think first of the interests of their own units. That takes their full time. The experts of U. S. Steel don't have time to think of problems of American Telephone & Telegraph, and neither is prepared to study the impact of the economy on a railroad or a big publishing company.

**Q.** So you think government must take a hand?

**A.** The preservation of the mass market for business is the greatest problem before government. Industry can't preserve it because self-protection raises prices, reaps profits, and all the while purchasing power begins to drop away. It won't do any good for business to try to protect itself if the policies it follows promote depression.

**Q.** What practices do you mean?

**A.** Just what I've indicated—the practices of the giant corporations attempting to protect themselves in a world economic crisis in which we all must be protected, and in which, if the capitalistic system is to be preserved, it must be preserved here by making it capable of protecting the interests of all. We all have to prosper together or we'll all crash together.

**Q.** Are there going to be priorities and allocations controls this year?

**A.** It looks to me as if we will need them, certainly in steel. Allocations must be made in the public interest and not in the interest of the producers.

**Q.** Would you put restraints on prices, too?

**A.** I introduced a bill last year which provided that, when most production of a material, say steel, is in the hands of small groups, there would be a cooling-off period before the planned price increase would go into effect. There wouldn't be any agency putting on a ceiling price, but I believe the publicity any planned price increase would get would have beneficial results.

**Q.** What about government participation in a steel expansion program, such as the Murray bill provides?

**A.** There might be a need for it if we don't find a way for independent business to live in this economy. But there's a larger responsibility. We've got the materials, the ingenuity, the skills, to demonstrate to the world that the capitalistic system can be stable without boom and bust. What we need is the will to do it.

**Q.** In your opinion, what obstacle is there to the "will to do it"?

**A.** Fear on the part of business. Business ought to get over the notion that every suggestion to gear the government to modern technology is hostile to them. It is not. Reforms such as I outline would stabilize profits as well as prices; would benefit stockholders as well as workers. Business is a victim of fear, and for no sound reason.

**Q.** What is your view on reimposition of an excess-profits tax?

**A.** I believe that excess profits resulting largely from great demand built up during the war ought to bear a proportionate share of the cost of government.

**Q.** What rates and what exemptions would you provide?

**A.** I do not want a return to the wartime formula. Any tax bill, whether it is levied against excess profits as measured against profits during a given base period or whether graduated rates are imposed, should provide incentive for competitive local business. It should encourage nonaffiliated businesses.

**Q.** Some labor people have been saying that corporations are retaining too much of their profits, that there should

be a stiffer tax on undistributed profits. Do you think so?

**A.** Such a tax, and many other incidental restraints on business, are inevitable unless we take the clear road I've suggested. But they would cause more confusion than we have now.

**Q.** Do you think it does any harm if business retains a large part of its profits?

**A.** So far as big business is concerned, they have been plowing back in capital expenditures from 50% to 75% of their actual profits, so that they have become independent of investment markets. Security dealers and investment brokers complain of lack of risk capital. Insurance companies administering the savings of the people have no interest in fiscal needs of any business which requires less than \$250,000.

**Q.** What is the result?

**A.** You have a situation in which big business in its passion for security is becoming bigger, and the opportunities for little business are becoming more precarious.

**Q.** You often talk of a law requiring federal charters for corporations engaged in interstate commerce; just what is your plan?

**A.** We are living in an era of organized, corporate economy. It is dominated by huge national organizations engaged in interstate and foreign commerce. Yet they operate under a charter issued by the states, which have no power to regulate interstate and foreign commerce. That power, under the constitution, belongs to Congress. Therefore, the plan is to have Congress rather than state legislatures determine the powers of national corporations.

**Q.** Then your proposal would make corporations answerable to the federal government?

**A.** A federal law ought to define the powers, responsibilities, and authority of such corporations; fix responsibilities of the officers and directors, particularly their responsibility for any monopolistic practice which they initiate and carry through; and establish the standards of corporate activity, to which, in the public interest, they should comply.

**Q.** In a nutshell, you want to bring interstate corporations under statutory rules and regulations, laid down by Congress. That would mean more government control of business, wouldn't it?

**A.** No. History shows that the discretionary powers of the federal government have expanded because we have not had such a federal charter law. My conviction is that we can avoid not only monopolistic practices and concentration of economic power, but we can also set business organizations free from discretionary interference by government, and at the same time stimulate the development of little and local busi-

ness if we have a federal charter statute.

**Q.** If your proposal would set business free, as you say, why would any corporation oppose your plan?

**A.** Business has been blind to the distinction between regulation and control.

**Q.** What is the difference?

**A.** Regulation is the power to lay down definite rules of procedure, within which the regulated enterprise may operate freely. It is a power government must have—and always has had. Control is much more detailed. It is the power a discretionary government exercises, and frequently is not prescribed in any rules.

We can eliminate all confusion by a specific statute. There would be established standards of responsibility. The corporations—and their competitors—would know exactly what they can and cannot do. And violators would not be tried before some board or commission; they would be tried in the courts.

**Q.** How does a charter law compare with a bill such as the O'Mahoney-Kefauver bill that would prohibit merger of physical assets of corporations?

**A.** They represent two different approaches. The bill you mention authorizes the Federal Trade Commission to say when a corporate merger through the acquisition of corporation stocks or assets should be prohibited as monopolistic. I have introduced this measure because it seems to me essential to stop the steady trend of monopolistic mergers if we are to preserve a free, competitive, capitalistic system.

**Q.** How would your charter bill handle the problem?

**A.** A federal charter law, instead of giving these powers to a government agency, would take away the corporate power to act in the manner defined in the law as against the public interest. For example, the charter law could limit a corporation's power to expand after that corporation had acquired, say, 40% of an industry.

**Q.** But isn't all this just New Deal reform for reform's sake?

**A.** During the last 16 years, business has been making the mistaken assumption that expansion of the federal government was solely a manifestation of the New Deal. Growth of the federal government has been taking place for more than 50 years, under Republican as well as Democratic auspices. It has been the inevitable result of the concentration of industry.

As business grows more national in scope, the people turn to Washington for protection. You can see it in the bill introduced last year—by a Republican, by the way—to set up a new federal bureau to control the oil industry as a result of the oil-distribution trouble of last winter.

## Waltham Closes

Old U. S. watch company, out of working capital, shuts its doors. RFC loan would permit it to reopen.

For years, the American watch and clock industry has battled Swiss competition for the privilege of keeping the U. S. market on time. But this week one of the top American contenders was out of the fight, at least for a few rounds. Waltham Watch Co., oldest of the U. S. watchmakers, filed voluntary petition for reorganization and closed down its plant near Boston at the first of the year.

Waltham isn't the only company to feel a squeeze. U. S. Time Corp. at Waterbury, Conn., has laid off 2,000 of its 3,200 workers. And Elgin National Watch Co. at Elgin, Ill., has cut its work week from 44 hours to 40.

• **Troubles**—But Waltham has some financial troubles that are peculiarly its own. In addition, the industry hints, that company has let its styles get outdated and its selling campaign run down.

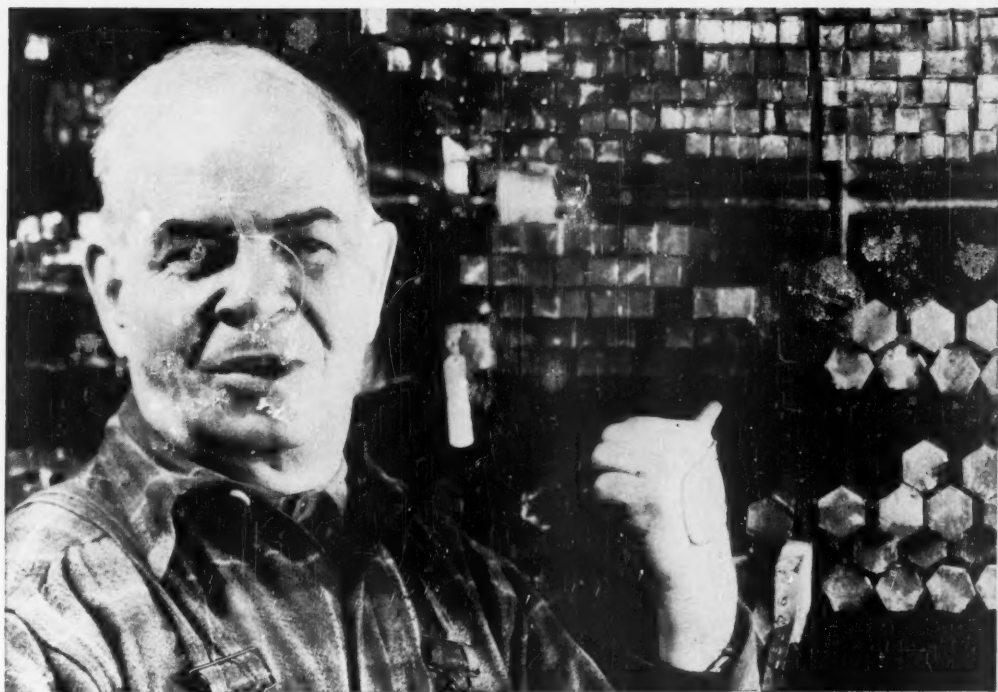
From 1923 to 1944, Waltham was controlled by Frederick C. Dumaine, the New England financier who recently got a controlling interest in the New Haven railroad (BW-Jul. 24 '48, p. 80). Since Dumaine, the management has changed twice. Somewhere along the way, the company let itself get painfully short of working capital.

On Nov. 30, Waltham had current assets of \$5,694,755, but only \$337,151 was cash. Current liabilities came to \$3,976,557. By mortgaging its plant and equipment, the company coaxed another \$1.5-million from the banks that held its notes. But that was all. So at the end of the year there was nothing to do but let the courts take over. Now the company hopes to qualify for a loan from the Reconstruction Finance Corp.

• **Record Business**—Meanwhile, other clock and watch companies have been chalking up record postwar business in spite of Swiss competition. Elgin figures its sales in 1948 at about \$27-million, against \$22-million in 1947. Hamilton Watch Co., Lancaster, Pa., thinks final figures will show 1948 the best year on record for dollar volume—and near a record for unit sales.

Waltham, Hamilton, and Elgin call themselves the only important American manufacturers of jeweled watches.

• **Imports**—Before the war, imports of Swiss movements ran about 2-million to 3-million a year. In 1947 and 1948 imports have been running at a rate of 7-million a year or more.



## Sure, We've Got Steel, But . . .

Sure, we've got steel—tons of it. Many kinds and shapes, thousands of sizes.

But we've got trouble, too—and plenty of it! We haven't got enough of the particular kinds of steel that everybody seems to want. That's simply because more people want more steel these days than ever before.

We certainly wish there was more we could do about it. We *can* offer you many steel products such as stainless, alloys, mechanical tubing . . . ready to ship right now, though all sizes are not always available. And when we can't ship exactly what you want, we'll do our best to find something that will work out just as well.

*On the hard-to-get items we may have to ask you to call again. But remember, our stocks turn over quickly. Kinds and sizes gone today may be here tomorrow. So, next time you need steel from stock, check your nearest Ryerson plant.*

### Principal Products

**BARS**—Carbon & alloy, hot rolled & cold finished

**STRUCTURALS**—Channels, angles, beams, etc.

**TUBING**—Seamless & welded mechanical & boiler tubes

**STAINLESS**—Allegheny metal plates, sheets, bars, etc.

**PLATES**—Sheared & U. M., Inland 4-Way Floor Plate

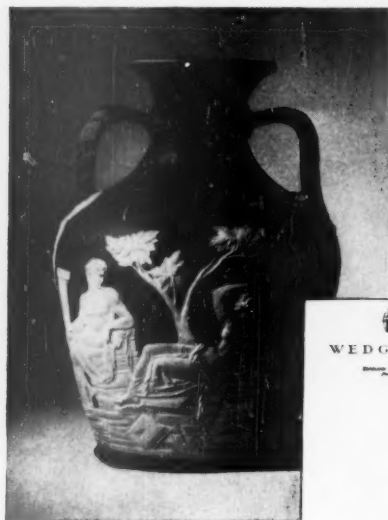
**SHEETS**—Hot & cold rolled, many types & coatings

**MACHINERY & TOOLS**—For metal working

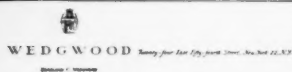
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If your current letterhead paper fails to do your firm justice, you will do well to have your letterhead supplier submit new designs on expressive Strathmore papers.

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## BUSINESS BRIEFS

**Manufacturers' sales** during November equaled those for October on a daily basis. Commerce Dept. says they came to \$18.2-billion—10% better than November, 1947. Inventories totaled \$31.1-billion, up \$3.5-billion in a year's time.

**More TV tubes** are due this spring. Owens-Illinois will convert its Columbus glass-block plant to manufacture of tube envelopes. Will employ 1,000, produce 6-million bulbs annually.

**New construction** put in place during 1948 hit \$17.6-billion. That's 26% better than the previous (1947) record. Government experts predict a new dollar high of \$18.7-billion in 1949.

**Prophecies:** Charles E. Wilson says G.E. will maintain its 1949 sales volume at the 1948 record level (\$1.6-billion) but dip in some lines . . . Henry Ford II thinks that Ford's 1949 production will be slightly better than it was last year (1,152,000 vehicles).

**The Bureau of Internal Revenue** has almost closed that income-tax loophole opened up by Amos 'n' Andy (BW-Dec. 4 '48, p.21). It is making Jack Benny pay income tax on proceeds from sale of his show to C.B.S. for \$4-million. Says B.I.R.: "Proposals of radio artists and others to obtain compensation for personal services under the guise of sales of property cannot be regarded as coming within the capital gains provisions of the . . . code."

**Airline losses** for 1948 will turn out to be only about a third of 1947's—about \$6.7-million vs. \$21.8-million. And the Air Transport Assn. thinks that CAB's recent airmail rate boosts (retroactive) may nearly wipe out that loss.

**Studebaker** factory list prices on 1949 cars and trucks are up \$25 to \$60—1.3% to 3.5% over 1948.

**Interest rate** on G.I. loans will stay where it is (4%) for at least a while longer. VA administrator Carl R. Gray, Jr., could raise it to 4½% (BW-Sep. 11 '48, p.23). But he won't.

**Mergers:** McGraw Electric has acquired two appliance makers—Manning Bowman and Bersted Mfg.—through an exchange of stock . . . Pennsylvania-Dixie Cement has added 1.4-million bbl. to its annual capacity by purchasing all the assets and properties of West Penn Cement . . . Two pioneers in bathroom and kitchen plumbing—Universal Sanitary Mfg. and Rundle Mfg.—will become Universal-Rundle Corp.

## "Off In The Silly Night" Mallory Works For You!



**Y**OU'D think "not a creature was stirring, not even a mouse". But you're wrong. A modern home is never "off duty" . . . not even at 4 A.M. thanks to the electronic age.

Let a cold blast come out of the North—instantly the oil burner snaps into life. Let something go wrong with the night light—the household circuit-breaker steps into action, preventing a fire. Perishable foods are protected in the refrigerator, where the proper temperature range is automatically controlled. The phone is always ready to speak in an emergency.

**T**he unflinching action of these modern safeguards and conveniences depends on the durability of a tiny but all-important part in each appliance . . . the *Contact*.

Contacts open and close electrical circuits. And they are made of special metal alloys that are marvels of

strength and conductivity. Contacts must stand the shock of electrical loads and physical impact over long periods, and in some appliances operate millions of times with absolute dependability.

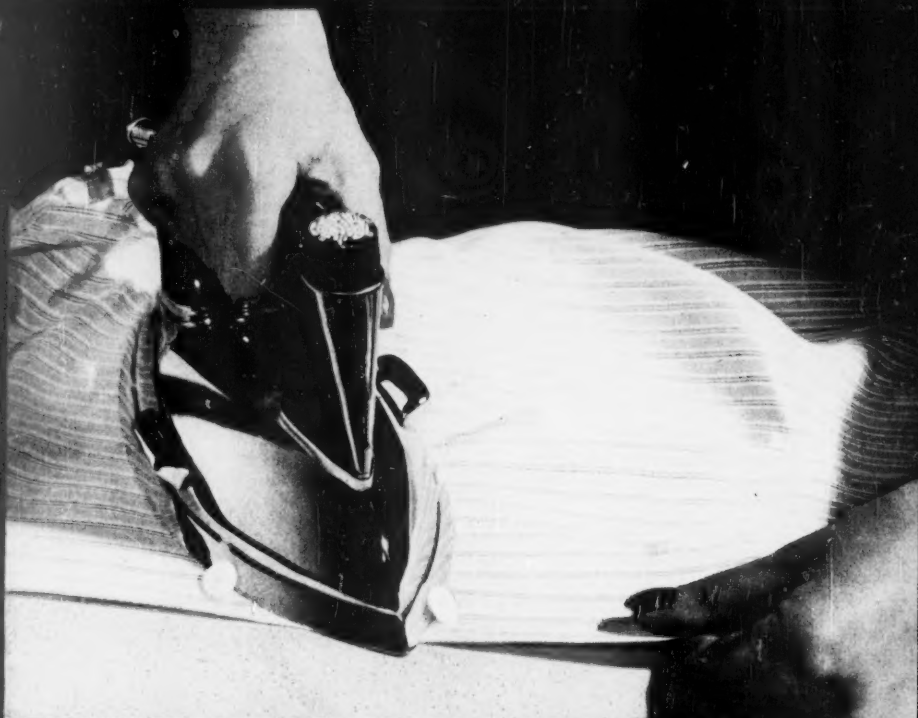
**M**allory pioneered in the development of modern contacts and contact materials which helped make possible our "automatic age". Mallory is truly known as "Contact Headquarters". Devoted to a precision ideal and constantly seeking the better way for more than 30 years, "Mallory" has become synonymous with the words, "modern metallurgy".

In metallurgy, electronics and electrochemistry, Mallory has amassed a vast storehouse of knowledge and ability. Many of the things that "couldn't be done" *have been done* by Mallory engineers. If you have a problem of design or production that is within the scope of Mallory's interests, let Mallory look into it.

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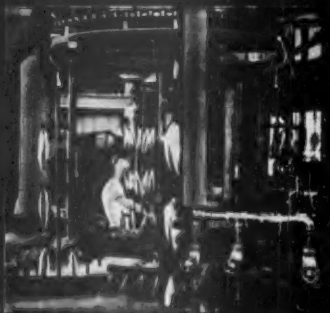
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ELECTRIC IRON BY GENERAL MILLS, INC.—ELECTROPLATED WITH UDYLITE EQUIPMENT

## THE KIND OF "FINISH" THAT WINS A SALES RACE

There's Eye-Appeal and Buy-Appeal in the Udylite-Plated Finish on the New General Mills "Tru-Heat" Electric Iron



This Udylite Fully Automatic Plating Machine applies quality finishes at high speed to General Mills' new irons.

The gleaming beauty of a product can bring a gleam to a lady's eyes that says: "I'll take that one!" And in this seemingly trifling reaction a sales race can be won—new markets captured—new products solidly entrenched on the American scene.

General Mills put its best into this new electric iron—then relied on Udylite plating equipment to put "the best" on the outside. Flawless, mirror-bright finishes of great durability are applied at mass-production speeds by Udylite Automatic Plating Machines. While actually reducing production time and

costs, superior finishes are achieved as these precision built machines provide continuous plating to laboratory exactness.

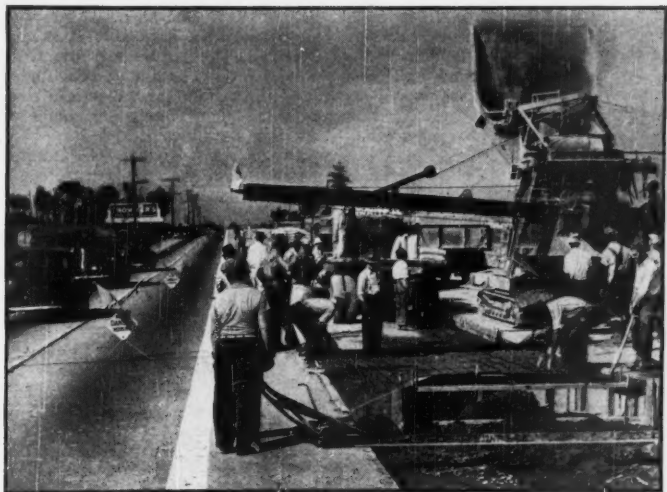
Have you a product which must pass the customer's double-edged test of basic merit and beauty? Then look to Udylite, as so many leading companies have done, and send your product to market with "the kind of finish that wins a sales race". Call in a Udylite Technical Man—let him analyze your requirements and make recommendations. No obligation whatever. The Udylite Corporation, Detroit 11, Mich.

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# TRANSPORTATION



MORE ROAD WORK lies ahead to bring highways up to snuff. States are asking . . .

## How Bad Are Our Roads?

Much worse than people realize, state reports indicate. To do an over-all job on U. S. highways would take close to \$40-billion. Systematic street-by-street surveys show how the job can be done.

The highways of the United States stand high on the list of civilian war casualties. The public—and the legislators—are only now beginning to learn just how badly the roads were hit by the long years when road construction was at a standstill (BW—Jul. 31 '48, p. 22).

• **Record Outlay**—Something is being done about it. This week, the Public Roads Administration reported that state agencies awarded contracts totaling well over \$1.1-billion for all classes of road work during 1948. All road and street work for the year cost just over \$3-billion, according to a year-end report from Automobile Mfrs. Assn. This figure, says A.M.A., and the whopping \$3.4-billion that U. S. motorists paid out in special taxes, were both records. But they're still just a drop in a very large bucket.

Rough estimates a year ago suggested that it might cost something like \$20-billion to put just the 500,000-mile federal-aid system into shape to carry traffic with reasonable efficiency.

• **\$40-Billion Deficiency**—In recent months, more precise information has been coming through. It indicates that the figure is closer to \$40-billion if you include all our roads and streets. Over the next 20 years, most states would

have to spend half as much again each year as they have available now—just to correct the deficiencies.

• **Surveys Tell**—The precise information is coming from detailed state-by-state surveys. In all, 18 state legislatures will get these surveys and act upon them. Reports are already in from five states.

California was the first to attack the problem on a systematic, street-by-street basis. Two years ago a fact-finding committee of the state legislature brought out a report recommending a \$2-billion, 10-year program. Against bitter opposition, the program became law 12 months later.

Seventeen other states have undertaken similar studies, or made steps in that direction. The latest to hand its report to the legislature is Kansas. Last month the Kansas Highways Fact-Finding Research Committee recommended a 20-year program to meet \$957-million of accumulated needs on streets, roads, and bridges.

• **Latest Report**—Kansas' 1947 legislature created the committee. Two members came from the Senate, two from the House, 18 were appointed by the governor from all sections of the state. Thus, from the start, the committee

## True or False?

IT PAYS TO KNOW IF YOU DO BUSINESS IN N. Y. STATE

1. You'll find 95 per cent of the various types of our nation's industries represented in New York State. True ( ) False ( ).
2. Twenty cents out of every dollar spent in the United States for business, personal and repair services go to N. Y. State business establishments. True ( ) False ( ).
3. There is one state-wide banking organization in New York State. True ( ) False ( ).

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Niagara Falls  
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had legislature sponsorship. And only legislative action can put teeth into any program.

The Kansas committee broke down its studies into three parts: engineering, financial, and administrative. The bulk of the work fell on the engineers.

For this part of its study the committee called on engineers, headed by G. Donald Kenney, from the Automotive Safety Foundation, Washington, D. C.

• **Engineers Report**—The engineers figured that the annual cost for a 20-year program amounts to nearly \$89-million. That includes accumulated needs, replacements, and maintenance.

The Kansas engineering study—a 136-page job—followed the same thoroughgoing procedure employed in other states.

• **Beginnings**—To get its findings, it started right on one road. Kansas has a road and street network of 137,000 miles, second only to Texas. City, county and state engineers made an inventory of every mile of that network.

Next step was to classify all roads and streets according to the kind and volume of traffic to be served. Then, the engineering staff recommended certain design standards. At the same time, it fixed a set of "tolerable" conditions as a practical basis for measurement of deficiencies.

• **Brass Tacks**—This adjustment held the total of deficiencies to a brass-tacks level.

The engineers also made allowance for streets that appeared inadequate for traffic but that could be made more serviceable by using traffic lights or other traffic-engineering devices.

Then they added up the statewide deficiency returns, came out with the \$957-million total.

• **Three Programs**—To make up this deficiency, the engineering report projected balanced highway programs for 10-year, 15-year, and 20-year periods.

For the 10-year program, engineers put the total annual cost at \$127-million; for 15 years, at \$101-million; and for 20 years, at nearly \$89-million. The last was the one the fact-finders picked to recommend to the legislature.

• **Costs Up**—In all three, costs were adjusted to an expected change in construction costs. For one catch to the \$957-million deficiency is that it is based on 1947 prices. The engineers went along with a prediction that construction prices, after rising through 1948, will gradually decline until 1953, when they will become relatively stable. At that point, the experts figure, they will be about 50% above the 1938-41 average.

The other catch to the entire program is the practical question: Where is the money to come from? That is

where the financial study took over.

• **Financial Study**—Total Kansas receipts for highways, roads, and streets, came to \$43-million in 1946, \$53-million in 1947. The financial survey explored potential sources of additional revenue. The fact-finding committee listed sources for raising an additional \$24-million yearly, and urged the legislature to adopt revenue measures to make up the difference.

• **Other States**—Three weeks earlier, Nebraska brought out a similar report; it listed state deficiencies of \$465-million. During the fall, Oregon reported construction needs of \$705-million; Washington appraised its deficiencies at nearly \$870-million.

## Business Cars to Rent For Salesmen on Road

To many a business, its salesmen's automobiles are a kind of lifeline between its product and its market. But it isn't easy or cheap to keep that lifeline in trim. That's why Motorlease Corp. of Hartford, Conn., is doing a thriving business, leasing new cars to companies anywhere in New England. After operating the car for a year, the lessee can get a new one. Average monthly charge: \$75.

• **Contracts**—Motorlease has fleet contracts to buy cars from General Motors, Ford, and Chrysler. Its present fleet is about 80% Fords, Chevrolets, and Plymouths. The rest are Dodges, Pontiacs, and De Sotos.

The cars come to local distributors tagged for Motorlease. The company pays \$1,600 on the average—there's no discount.

For depreciation on its cars, Motorlease figures 25% a year. It resells the used car to the dealer through whom it was supplied.

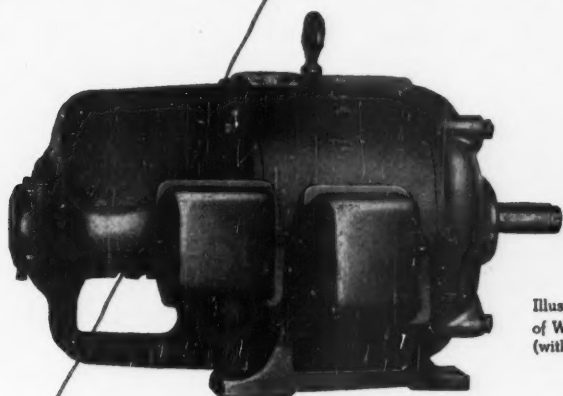
• **Busy**—The car shortage, which helps build business for Motorlease, holds the company down, too. The company now leases out about 300 cars, hopes to do much better when cars are easier to get. Right now it has all the business it can handle; sometimes a customer has to go 13 months before he can get a replacement.

Rental is the same no matter how many miles the car is driven. Average annual mileage is 25,000. Motorlease foots the bill for all repairs. It also gives the customer a Sun Oil credit card for oil. The reasoning is that a driver will buy more oil, hence keep the car in better condition if he doesn't have to pay for oil himself.

• **Business Only**—Motorlease won't rent cars for personal use. Such a lessee, says Motorlease, often feels let down when, at the end of the year, he has paid out about \$1,000 in rent and still has no car of his own.

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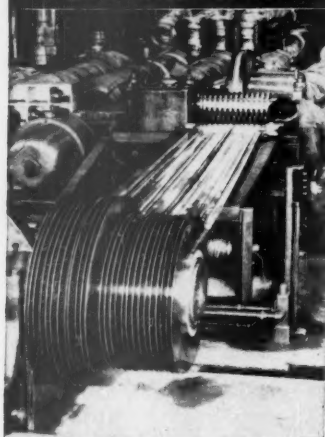


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## Ports Battle for Business

Atlantic and Gulf seaports compete for increased shares of available trade. Trend under way toward revamping of outmoded facilities. Northern ports fight "discriminatory" rail freight rates.

The industrial and agricultural exports of the United States provide tremendous business for those who transport them abroad. As the nation developed, U. S. railroads, ports, and shipping lines have fought fiercely for the privilege of carrying and handling this fabulous freight. This week it looked as if 1949 would be a high spot in the struggle.

• **Promotion**—The Atlantic and Gulf ports are becoming more active than they have been for many years in their attempts to increase their individual shares of export trade. Their field of operations: the north-central U. S., from the Rockies to the Appalachians.

Small ports are now planning to bid for more traffic. Some big ports are revamping their facilities. Other established ports, challenged by the new trend, are beginning to realize they will have to do something, too.

Here's the most important example of the shifting traffic pattern: In the past few years, New York City's leading position has been cut down; meanwhile the percentage of foreign trade moving through New Orleans has increased.

• **Reasons**—It's true that freight rates favor the southern ports somewhat. But the main reason is that New Orleans got the jump on New York and other ports. About \$100-million has gone into improving New Orleans'

port facilities in the past four years (BW—Aug. 21 '48, p. 24).

That makes New Orleans a stand-out among U. S. ports, for in general there hasn't been much revamping and new construction since World War I. Most docks today are too old. Modern ships, trucks, and materials-handling equipment can't use them efficiently.

• **Modernization**—Today everybody is talking port modernization. And many of the ports are doing something about it. Most port facilities are run by cities, states, or semi-governmental, semi-business "port authorities" (BW—Nov. 13 '48, p. 72).

Three new docks costing \$5-million are being added to state-owned facilities at Mobile. The new Georgia Ports Authority has bought a large Army port installation at Savannah, has plans for developing Brunswick and some of the river towns.

Businessmen in the eastern part of North Carolina are looking to the state legislature for \$7.5-million to develop Morehead City and the once-famous port of Wilmington. They feel that industry will then move into the relatively undeveloped eastern Carolina area—because of its closeness to tide-water and modern ports.

• **Norfolk's Program**—The new Norfolk (Va.) Port Authority has just hired E. O. Jewell, who helped build up

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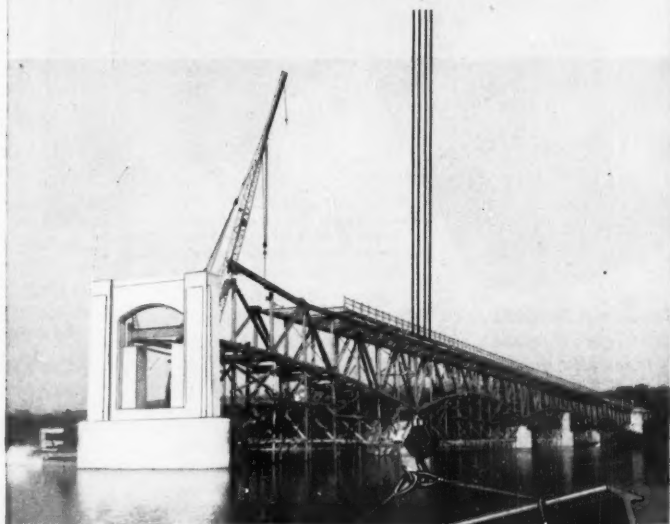
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New Orleans as its port director, to serve in a similar capacity at Norfolk. The port has already done some modernizing (BW-Mar.13'48,p48).

Jewell, so far, has emphasized cooperation of Norfolk with the other Hampton Roads ports of Newport News and Portsmouth, and with the whole Chesapeake Bay area. (That includes somewhat suspicious Baltimore which, in 1947, led all U.S. ports in export tonnage.)

• **Farther North**—Philadelphia, which has let its port go to the point where the approaches to some of its municipal piers are clogged by silt, will build this year a \$5-million double-decked pier. Philadelphians are interested in a modernization plan recently submitted to the Delaware River Joint Commission. The plan suggests that \$91-million be spent improving the Philadelphia-Camden port area.

The huge New York harbor area is losing business daily. Shippers don't like pier congestion, high handling costs. The city government, owner of many of the piers, plans to spend about \$55-million for modernization. The city is hard-pressed financially. Nevertheless, it has turned down separate suggestions by both the Port of New York Authority and the World Trade Corp. that they lease city piers for long terms and do the modernizing (BW-May29'48,p40).

• **Overland Rates**—The northern ports—from Boston to Hampton Roads—complain that southern ports have the edge over them in the matter of freight rates. They have reason to be worried, for every port must depend on the railroads and internal waterways to keep it alive and growing. Trucks are becoming a factor here, too.

Over a century ago, before the railroads, New York had a big advantage over other ports because of the Erie Canal. With the coming of the iron horse, each major port began building its own railroad to the West. Philadelphia had the Pennsylvania; New York City the Central and the Erie; Baltimore the Baltimore & Ohio.

• **Equalization**—For a while the rival roads cut their rates to attract shippers. But that couldn't go on indefinitely. So in 1877, rail rates from midwestern points to the Atlantic ports were stabilized. Object: to make over-all rates from midwestern points to Europe approximately equal.

New York was closer to Europe than Philadelphia, so ocean rates to Europe were lower for New York shipments. For the same reason, ocean rates from Philadelphia to Europe were lower than from Baltimore.

So freight rates from midwestern points to Philadelphia were set 2¢ per 100 lb. under rates from the same places to New York and Boston. Rates

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LOW-COST ELECTRIC FORK TRUCK  
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The Baker FQH 1000 lb. Fork Truck introduced a year ago received enthusiastic acceptance. It also disclosed the urgent need for a similar truck with greater capacity, and a 1500 lb. model was made available. Now Baker completes its line with the FRH-20, a light weight, low cost, highly maneuverable electric fork truck in the 2000 lb. field . . . This truck is ideal for plants where narrow aisles, limited floor capacity and low capacity elevators are factors and where loads can be limited to 2000 lbs., 36 inches long.

See this new truck in action at the Materials Handling Exposition, Philadelphia, Jan. 10-14, 1949.

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# Baker INDUSTRIAL TRUCKS

to Baltimore were set 3¢ per 100 lb. lower than the New York-Boston level. Rates to Gulf ports were set still lower because of the less-favorable ocean-transport rate to Europe.

• **Present Status**—These rail differentials, in general, still exist today. Lately, the Interstate Commerce Commission has even increased some of them—by allowing railroads in eastern territory to increase rates more, percentage-wise, than it allowed the roads in southern territory to do (BW—May 15 '48, p19). That has shifted some traffic southward, and the northern ports are trying to get the rates changed.

A few weeks ago, the northern ports succeeded in getting ICC to equalize the rate on iron and steel manufactured articles. There had been a differential of 8¢ per 100 lb. They hope to get other rates adjusted this year.

## TRANSPORTATION BRIEFS

**Rail freight rates are up.** The roads asked ICC for an interim hike of 8% (BW—Oct. 2 '48, p28), have been awarded an average of 5%. Later this year ICC will decide on permanent increases.

• **The auto industry in 1948 produced:** (1) 5,282,000 vehicles—10% more than 1947 and only 76,000 units short of 1929; (2) more commercial units (1,371,000) than in any peacetime year; (3) the third greatest number of passenger cars (3,911,000) in one year.

• **TWA will begin operating a cut-rate "skycoach" service next week,** following Capital Airlines' successful lead (BW—Oct. 23 '48, p28). One-way fare between Kansas City and Los Angeles is \$59.50—\$33.60 under the regular airline fare, \$17.80 under rail-pullman.

• **Freight cars delivered to U.S. railroads during 1948 totaled 112,000—65% more than 1947.** The American Railway Car Institute's tentative figures show a backlog of 102,200 cars on order Dec. 31, a drop of about 17,000 from the previous year.

• **For-hire truckers want to take advantage of the antitrust immunity offered by the railroads' Reed-Bulwinkle amendment (BW—Jun. 26 '48, p22).** Through the American Trucking Assn., more than 5,000 common carriers are asking ICC for "collective rate-making authority."

• **Aircraft sales in 1948 topped the \$1-billion mark for the first time since the war.** Aircraft Industries Assn. says that most major plane makers will report "at least moderate profits."

# Star Wagon

**U.S. military men really plan an earth satellite vehicle. They will take several years just to develop the components.**

A new kind of vehicle broke into the news last week—the "earth satellite vehicle." Defense Secretary Forrestal's annual report made the first public mention of it—saying that the Earth Satellite Vehicle Program had been assigned to the Committee on Guided Missiles. It didn't say much more.

• **Setback**—Actually, this first official announcement reports something of a setback for a project that has been fascinating the military people for more than a year.

An earth satellite vehicle would be a rocket-driven projectile with a speed high enough so that it could: (1) rise to an altitude beyond the atmosphere (some 500 miles or more); and then (2) circle the earth so fast that its centrifugal force would overcome the pull of the earth's gravity.

• **Perpetual Orbit**—The initial speed required to put a rocket into a perpetual orbit around the earth is some 5 mi. per sec.—about five times the speed of a V-2 rocket. Once above the atmosphere, such a rocket would maintain its speed indefinitely without any further use of power. If it were sent just barely above the atmosphere, it would circle the earth about every four hours.

• **Many Uses**—The military decision to build such a satellite vehicle was made more than a year ago. The military planners think that, in addition to advancing the rocket art, it would have many uses. Examples: Continuous upper-atmosphere observations would improve weather prediction. Perhaps most important—it could be used as a relay station for short-wave radio communication. The line of sight range of short-wave radio now is a serious obstacle to such things as guidance of future long-range missiles.

Obstacles are the cost—which might run to more than \$100-million—and the unprecedented design problems. Unless it were atomic-powered in some way, such a rocket would have to operate in steps: A large rocket would go as high as it could, then discharge a smaller rocket. Three steps might even be necessary.

• **Two Ways**—Until the last few weeks, the high brass has been trying to decide whether to proceed immediately with the construction of a rocket, or to concentrate for several years on working out components—step-rocket mechanisms, instruments, a power source (maybe solar) for the instruments once the rocket is in space.



BETTMANN ARCHIVE



## IN THE DARK *on Lighting Costs?*

**SAVINGS** were the first thing the Boss asked for when we decided to light the old place up—so you can bet I really looked into the matter of cutting costs. And that's why I made sure we got fixtures with General Electric Turret\* fluorescent lampholders.

**SAVINGS?** Sure, we're getting 'em with these new fixtures. They're made to save on maintenance, because they're equipped with G-E Turret lampholders. With Turrets, any man on my crew can change a lamp with one hand. He doesn't have to worry about breaking lampholders, because Turrets are tough. And we don't have to fiddle with any gadgets to keep lamps from falling out. Turrets grip lamps firm—make good, positive contact.

**SAVINGS** came up again the other day. The Boss can't seem to get over the way fluorescents have stepped up production and cut rejects. He didn't mention maintenance costs—and that's the one important sign that the Turrets are doing a terrific job.

If you're interested in fluorescents, why not write General Electric for information on Turret lampholders and manufacturers who use them in their fixtures? Address Section Q30-110, Construction Materials Department, General Electric Company, Bridgeport 2, Connecticut.

## Fluorescent Lighting

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**G-E TURRET LAMPHOLDERS** for easy maintenance, come in three styles for two- or three-lamp units. Insist on General Electric lampholders on the fixtures you buy.

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## Titanium: New Metal for Industry

Though it has few uses as a metal today, it may eventually rank with aluminum and stainless steel.

A new metal—titanium—holds promise of revolutionizing American industry, just as aluminum and stainless steel did in their time.

• **Question**—Where would we be today without aluminum and stainless steel? Ten years from now, you may be asking the same question about titanium. This rust-resisting, silvery-white metal

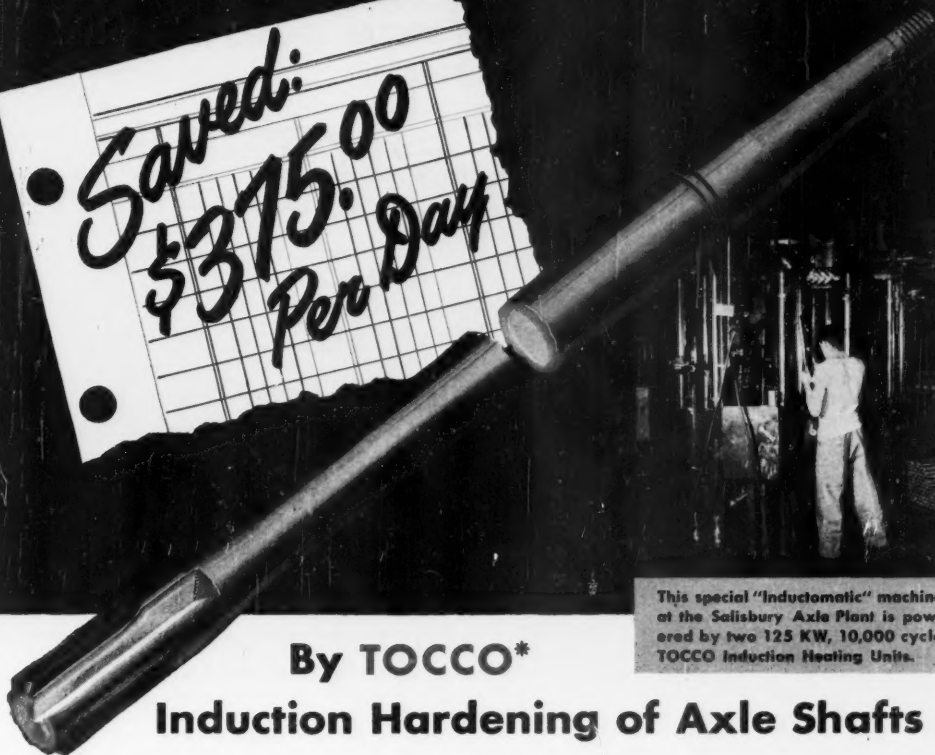
not only combines many of the best properties of the other two metals—it goes even further. It weighs much less than stainless steel, yet it is just as strong; it has a high resistance to corrosion and to heat, yet is easy to work. Moreover, by adding pinches of other metals to titanium, metallurgists will be able to develop "super" alloys with

strengths far beyond those of today.

Given a metal like that, engineers can reach into unexplored areas of design for jet engines, supersonic planes, chemical, petroleum, textile, and railroad equipment. Consumers will benefit, too: Your automobile engine of tomorrow will run hotter and therefore will be lighter, more efficient. That's because titanium metal will replace many of the conventional metals used in it today.

• **Threshold**—The engineers are just now on the threshold of commercial

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**SAVINGS** of \$375.00 per day caused by increased output and switch from SAE 4140 to SAE 1033 steel made possible by induction hardening.

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**PRODUCTION DOUBLED.** Formerly 50 axle shafts per hour with conventional combustion type heating—now 120 per hour with TOCCO.

**PRODUCT IMPROVED.** Torsional fatigue has increased 200%. The shaft is no longer a compromise between durability and machinability. It is hardened to 55 RC and drawn back to 43-47 RC. Degree of hardness and depth is accurately controlled.

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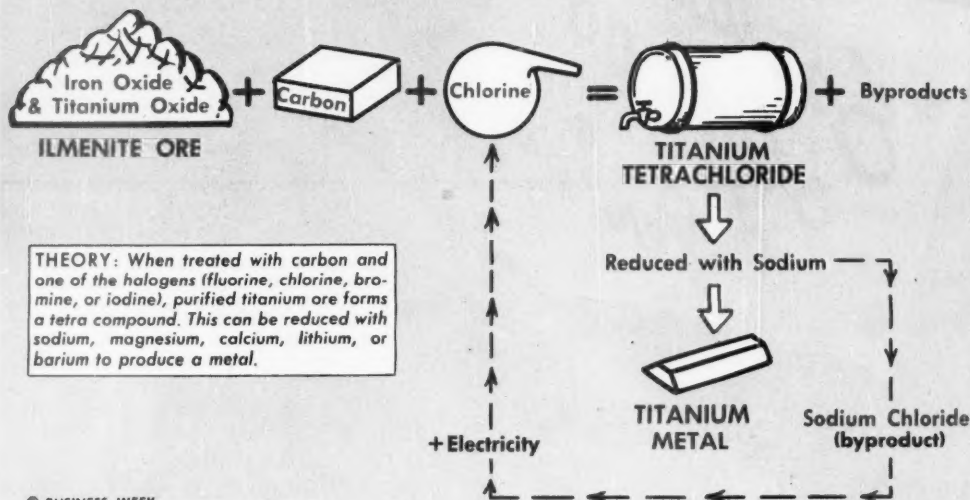
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## ONE WAY TITANIUM METAL IS MADE



© BUSINESS WEEK

**TITANIUM METAL** is made by a process like this, shown schematically. Actually any halogen can be adapted to the process

use of the metal. Titanium, after years of neglect as an expensive laboratory curiosity, is about reaching industrial adolescence. Its effects on industry promise to be spectacular, because it fills an important gap—furnishing both light weight and high strength—in the long list of materials we use today.

Already almost a dozen major companies and more than 60 independent research laboratories are burning the midnight oil to find out how to handle the stuff, what its properties mean in new products, what can be done to put production and processing on a low-cost, mass basis. Military men are busy studying its potentials for jet engines, supersonic bombers, rockets, naval equipment. Atomic engineers are fascinated by its possibilities in nuclear engines. It's a safe bet that many millions will be poured into titanium metal research in the next few years. The industrial benefits should be enormous.

- **Chain-Reaction**—New knowledge and new uses have a kind of chain-reaction on materials. That's what happened with aluminum, which started as a \$15-per-lb. laboratory curiosity. Titanium will follow that same pattern, but the time it takes to develop it may be shorter. Reason: Engineers are designing ahead of available materials. They keep demanding better and better properties; they pounce on new alloys as fast as the metals leave the furnace.

- **Servant of Industry**—The industrial excitement caused by titanium metal's

debut has obscured some pretty obvious facts. Titanium has long been a servant of industry (chart, page 40).

It has been a versatile performer which appears in many disguises. It is an oxide used for pigments, an alloying element to make other metals stronger. Now it's ready to go to work in new forms—as a metal with unusual properties, and even as a synthetic gem, with brilliance far exceeding that of the diamond.

All this has come from the stepchild of iron ore production: Titanium is mostly found combined with iron oxide.

- **Old Metal**—Titanium metal isn't completely new, either; physicists and chemists have known about it for years. Back in 1910, it was being produced in four-lb. lots. In 1911, Rensselaer Polytechnic actually put out a research bulletin on the stuff.

What is new is simply this: Researchers have learned how to process the metal into usable forms. As a result—and also because the war catalyzed all metals research—industrial interest is extremely high.

### i. The Discovery

Titanium was discovered back in 1791 because an English clergyman had a habit of walking along the black beach sands of Cornwall. The clergyman, William Gregor, was an amateur chemist with an inquiring mind. In the makeup of the black sands he discovered an ele-

ment which at the time attracted no scientific interest.

A few years later, an Austrian named Klaproth extracted the same element from an ore called rutile. He named it *Titanic Earth*—for the mythical Titans, sons of the earth.

- **Big Deposits**—Not long after, big deposits of an ore combining iron oxide and titanium oxide were found in the Ilmen Mountains of Russia. These ores were thereafter dubbed *ilmenite* and were widely exploited for their iron content. The titanium oxide was neglected—it had no practical use. Similar deposits were found in America, Africa, Brazil, in the common sands of India and Australia.

There was a good reason for this frequent appearance: Titanium is the ninth most abundant element in the earth's surface. It is the fourth most plentiful metallic element suitable for structural use; ahead of it are only iron, aluminum, and magnesium. So raw materials will never be a problem.

Titanium is a friendly element. It likes to combine with other elements, holds on to them tenaciously to form oxides, nitrides, and similar compounds. That makes it difficult to separate the oxide from the ore, complicates the problem of reducing the ore to a metal. It took years of patient work before scientists were able to isolate even pure titanium dioxide.

- **Paint**—The first success came in 1908, when Dr. A. J. Rossi (picture, page 44)



"BOMB" in which reduction takes place

working with Titanium Alloy Mfg. Co., managed to separate some. He mixed it with salad oil to make a crude "white" paint. By 1916 Rossi had his separation process on a plant-scale basis.

But the best product at that time was an impure oxide. It wasn't until 1926 that a successful pure-oxide process was developed. From that time on, the use of titanium for pigments zoomed, because its great whiteness and hiding power make it a competitor for expensive, hard-to-get lead.

• **Alloying Element**—Tried as an alloying element, titanium added strength and toughness to other metals (pictures, page 48). That meant further broadening of industrial markets.

• **Gems**—Titanium's latest—and most glamorous—development is in the form of gems. When finely powdered oxide is blown through the high heat of an electric furnace, a molten mist is formed. This mist, condensed on a silicate pedestal, builds up to a crystalline "boule." The boule can be cut and polished to a gem with greater-than-diamond brilliance. That's because titanium has the highest known index of refraction (ability to bend back light rays).

For the same reason, these gems open up new possibilities for scientists working in the field of optics. There's a possibility, too, that titanium jewels will serve as precision bearings under light loads to prolong instrument and watch life. Moreover, the gems may become

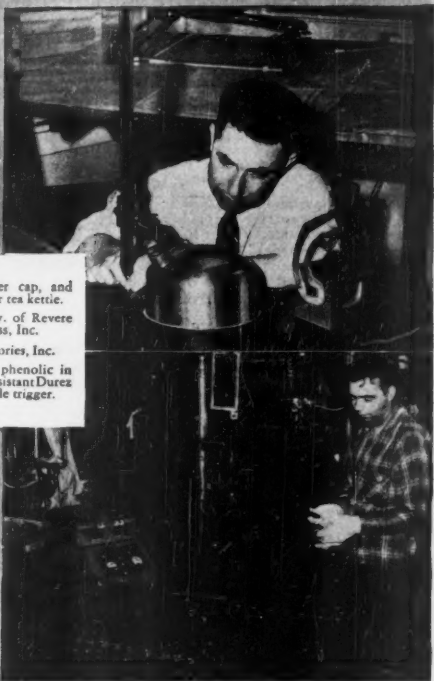
## It pays to use your custom molder's know-how

Say the Revere Men in Rome, N. Y.



### No. 1 in a series on Plastics Skill at work...

**PRECISION PLANNING** improves plastic parts design. Norton development engineer uses vernier height gauge to position front assembly hole on customer's model in perfecting new handle.



**PROJECT:** Handle, whistler cap, and finger release for tea kettle.

**CUSTOMER:** Rome Mfg. Div. of Revere Copper and Brass, Inc.

**MOLDER:** Norton Laboratories, Inc.

**MATERIALS:** Regular Durez phenolic in handle, steam-resistant Durez in cap, polyamide trigger.

**CREATIVE ENGINEERING** speeds output, lowers cost. Duplex ram plunger press remodeled by molder cuts cure time. Shrink fixture in foreground assures accurate assembly, prevents waste.

● Next time your plans suggest consideration of plastics, why not call in your custom molder early—when he can serve you to best effect?

Example: Tools of a good housekeeper's "dream kitchen", a new line of Copper-Clad Stainless Steel Revere Ware shows the value of having experienced plastics molders cooperate in product development.

With a good idea ready for the final touches, Revere officials called in Norton engineers. Special skill in custom molding enabled Norton to make constructive design suggestions for product

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Durez phenolics, light in weight, impervious to boiling water, and of lustrous, heat-resistant finish, provide desired qualities in the handle and cap.

As specialists in the phenolics since the industry's earliest days, Durez field engineers, too, can bring the authority of experience to your problems.

At any stage in your plans, we will welcome your invitation to assist.

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• **Indispensable Stepchild**—The element titanium has already become indispensable to our economy. In less than 40 years, the stepchild of the laboratory has grown to key-man stature in industry. Its new forms promise to make it even more indispensable.

## II. Titanium the Metal

Since caveman days, man's search for metal has been on the basis of convenience. The first metals used were those like copper, found occurring naturally in rock. Then, as man's knowledge of the earth grew, he learned how to reduce metal from its oxide forms. But still he worked with those easiest to separate, even though supplies were limited.

• **Transition**—One of the great industrial transitions of our time is the shift from these "convenient" metals to the "plentiful-supply" metals like aluminum, magnesium, and now titanium.

In shifting, of course, metallurgists find that they get the benefit of new and valuable properties. Today it's the special properties of titanium that are concentrating attention on it.

• **Batch vs. Continuous**—Metallic titanium today is made in batches (chart, page 42) by a reduction process that starts with an oxide. The oxide is reduced to a metal. The method is old but the problem today is new: How can the metal be made on a continuous basis? Only discovery of such a basis will ease quantity and cost problems.

Eventually, titanium will most probably compete with stainless steel, both in quantity and price. But that day is some years off.

The metal is produced first as a sponge. This must be converted to an

ingot, either by grinding it up and pressing it to shape under heat (as the Bureau of Mines has done) or by electrical melting (as National Lead Co. and du Pont are now doing). Ingots up to 100 lb. in size are produced. These are then forged, rolled, or cast to shapes suitable for industrial use.

• **Titanium's Strength**—The reasons that make engineers bullish about titanium metal aren't hard to find.

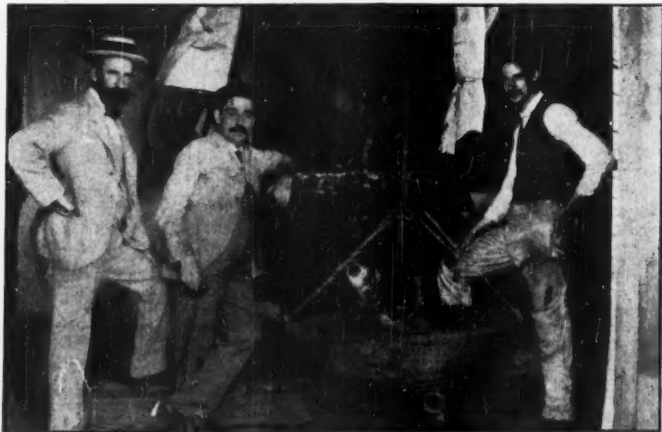
To begin with, it's strong. In a pure state titanium has pretty nearly the same strength as conventional stainless steel. When alloyed, strengths will go up sharply. Also, titanium keeps its strength at high temperatures. Alloying will improve this property, too. That means the metal is a natural for jet-turbine blades, or for parts under high stress, where weight is an important factor.

Titanium can be surface-hardened. That lines it up for use in engines for parts like pistons, cylinder liners.

Titanium's high corrosion resistance has whetted the Navy's interest in titanium for pump rods, bearings, propellers, aerials.

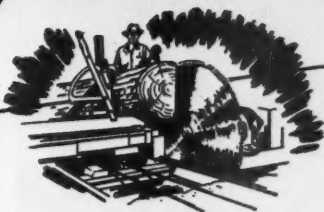
• **Alloy Work**—Much work is going on with alloys of titanium. National Lead Co., Remington Arms Co. (du Pont controlled), Battelle Institute, Westinghouse Electric Corp., General Electric Co., Driver-Harris Co., P. R. Mallory and Co., and many others are working on it. National Lead, under the leadership of J. A. Martino (cover), is poised on the brink of an all-out titanium metal program ranging from processing the metal to the stimulation of a high-temperature alloy market.

The job isn't going to be simple. Titanium in a molten state can worm its way through the ordinary crucible. If it can't get out, it climbs up the sides. It contaminates easily, must be handled



PIONEERS in ferro-titanium alloy: James MacNaughton, who brought the ore from Tahawus, Dr. A. J. Rossi, reduction expert, and an assistant, beside an 1890 furnace

# \$3,500 annual savings from a \$10,000 investment



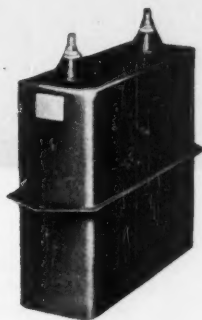
**Portland, Ore. Lumber Mill slashes power costs by installing G-E Capacitors.**

From the Inman Poulsen Lumber Co., in Portland, Oregon, comes this story: A check showed that they were paying a relatively high rate for power because of poor power factor—common whenever induction motors run partially loaded. In June, 1947, they installed G-E Pyranol® capacitors on individual motors, or near them. Power factor was raised from 57% to about 90%. The \$10,000 cost for capacitors,

installed, will be saved in lower power bills in approximately three years.

In all probability, your firm can make similar savings. Even if you have no power-factor clause in your power contract, G-E capacitors may pay their way. They provide relief for overloaded feeder circuits or transformers—a 30% increase in capacity is not unusual. Or, if low voltage is slowing down production, G-E capacitors may be your answer.

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**A NEW BOOKLET** explains how capacitors work and gives specific data to show you what you may expect from them. Write today for Bulletin GEA-5167. Address Section 407-183, Apparatus Dept., General Electric, Schenectady 5, N. Y.

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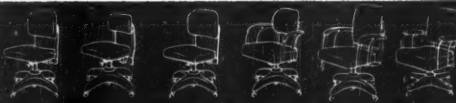
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under vacuum or in a special atmosphere like helium. It melts at such a high temperature that few materials can contain it. So new refractory materials are being developed.

• **Price**—Titanium today sells for \$5 per lb. in 100-lb. lots. Today's production of the metal amounts to about 500 lb. per month. Some day, not too far in the future, its price will drop to \$1 or less—depending as much on new uses as on improvements in processing.

## III. Titanium the Oxide

Chances are that the very white paint you've noticed on frame houses contains a big slug of titanium oxide. The oxide not only throws back most of the light that hits it, but also is extremely opaque. Thus films of titanium oxide paint can be thin. Such characteristics can be used in many industries. For example: With titanium pigments, paper could be much thinner, retain present opacity and whiteness. That means books and magazines could have just as many pages but be much lighter to handle, less costly to mail.

• **Brightness**—Titanium oxide makes your white-wall tires permanently white. It brightens false teeth, adds color appeal to face powder, shaving creams. You walk on it in linoleum floors, wear synthetic fabrics in which the oxide has taken out the unwanted lustre. It's used in white shoes, glassmaking, textile printing, plastics, and inks. Production of oxides for all such purposes totaled 225,000 tons last year.

Most important of all, the oxide is the starting point for the other forms of titanium.

## IV. The Metal-Strengthenener

Small proportions of titanium act as a tonic to other metals. As it goes into solution in the other metal, the titanium toughens it, adds tensile strength, resistance to heat, improves the grain structure and ductility.

• **Customers**—Metal makers who produce steels, aluminum alloys, and nickel alloys have been steady customers for titanium for such purposes. In fact, titanium additions to steel have been a boon to porcelain enamellers. Parts made of titanium-bearing steel reduce warpage caused by oven heat, allow the use of thinner coats of enamel, reduce rejects. That's because the titanium adds heat resistance and strength to the steel sheets. Last year 10,000 to 15,000 tons of iron-titanium alloys were produced.

## V. Titanium—New Gem

Titanium gems are still a laboratory curiosity, with researchers working on processing variations. Although the basic principle of causing the molten

*"Certain people, sometimes,  
can certainly be sickening!"*

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I'm just worn out...Directors' Day in our office again...Didn't I tell you?

Comes every six months. The directors are mostly from Richmond. They meet all morning, and after lunch they visit the departments, sort of like a reception.

My favorite directors are Mr. Finnald and Mr. Othery—the darlingest little old men! They retired years ago, but are interested in just about everything...and they always remember names!

Right off they noticed the new postage meter. And who steps up and takes credit for it but Mr. Big-I-Am Smithers. They say his wife is kin to some big stockholder. He's the Assistant Office Manager, but manages to play contract at that Club every day!...And I practically nagged him for weeks to put in a postage meter. The man simply sickens me!

Well, Mr. Finnald wants to see how the meter works. And our Assistant Office Manager fumbles around...and pretty soon it's as plain as day that he doesn't know any more about it than a month-old baby! Never saw a man so fussed!... Then I stepped up.

"I guess Mr. Smithers has been much too busy with more important things than this little old machine," I said, smiling at him just as sweetly as if I liked him!

First thing, I said, there wasn't a single little old icky paper stamp left in the office that you had to keep locked up in a little old tin box...and we're all through with that unsanitary lickin' and stickin' stamps and envelopes.

The postoffice, I explained, just sets the meter for as much postage as we want to buy at any time. And in the meter, the postage is absolutely safe, can't get lost, borrowed or stuck together.

Next I showed them the little levers you set to get any amount of stamp for any kind of letter mail. Then I fed a letter into the meter, turned the handle—and out it came with meter stamp, postmark, and a little ad for the company and the envelope flap sealed up, too.



I pointed out the little windows that tell how much postage has been used up and what's still on hand...mentioned that metered mail didn't have to be cancelled in the postoffice...And since we got the meter, nobody'd stayed after hours to tend to the mail—not even when monthly statements run extra heavy.

Well, Mr. Finnald and Mr. Othery were just as pleased, and put a few letters through the meter themselves. Then they congratulated me on my "very excellent exposition"—imagine! And shook hands!

As they left I heard the Assistant Office Manager tell them I was one of his brighter girls... Certain people, sometimes, can certainly be sickening!

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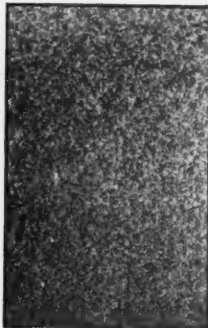
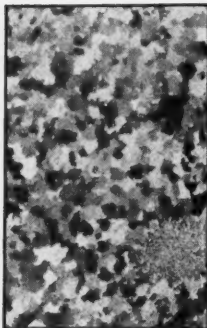
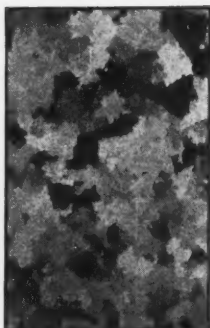
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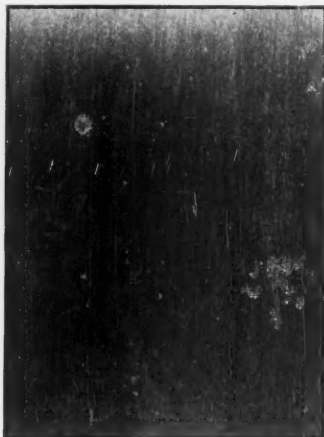
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**TITANIUM** helps other metals. Microphotographs of aluminum containing 6% copper and 1.2% silicon, showing how grain structure improves as titanium content increases. Left 0.015%; center 0.114%; and right 0.147% titanium, magnified 25 diameters



**TITANIUM** additions control physical properties. The nickel-iron alloy at left has no titanium in it; the same alloy at right has 0.13% titanium

mist to crystallize is simple enough, the researchers want to learn more about controlling the growth. They are testing the effects of small additions of other elements. These change the color of the gem so that jewels resembling amethysts, rubies, and emeralds, as well as diamonds can be made. All of them, however, exhibit the startling high index of refraction.

National Lead Co. is working with the gem development, but so far has not tried to exploit it commercially. Meanwhile, the optical, electronic, and jewelry industries are watching the experiments closely.

### VI. The Supply Situation

Titanium metal, when it gets into commercial use, will be mighty important strategically. But there should be no worries about the supply of raw material. Titanium comes from two sources: ilmenite (iron oxide and titanium oxide combined) and rutile (an

impure titanium oxide with traces of other elements like iron, chrome, zirconium).

• **Sources**—The most abundant source is ilmenite, which is found in the black sands of India, Florida, and Oregon, and is found in the rock deposits in the Adirondacks and Quebec. The amount in those deposits runs to millions of tons. There are also large deposits in Wyoming, Arkansas, Virginia, Norway, China, Russia also have great stores of the ore. And more than 125-million tons of ilmenite are available in a deposit near Quebec, being exploited jointly by Kennecott Copper Co. and New Jersey Zinc Co. (BW—Sep. 18'48, p128).

At Tahawus, N. Y., National Lead Co. has what's reported to be the largest ilmenite mine in the world in operation (picture, page 40), out of which are dragged almost 1.2-million tons of ore a year. That amount of ore yields 250,000 tons of ilmenite.

Imports, for the first six months of last year, from Brazil, India, Norway,

## Pattern FOR CUTTING HAULING COSTS



WHEN an item retails for only 25¢—like milady's dress patterns, for example—you can be sure the manufacturer is using every available method which will cut production costs. And, here's how Fruehauf Trailers lend a helping hand.

Simplicity Pattern Company's main plant at Niles, Michigan, "feeds" unfinished patterns to finishing plants at Grand Rapids, Michigan and Terre Haute, Indiana. Up to a million pounds a month are hauled to these points and returned—all by Fruehauf Trailers.

Why are Trailers used? One reason is they triple a truck's load capacity. Another is their flexibility. Only 4 Trailers are needed to efficiently link all 3 plants. As many as 300,000 finished patterns are hauled in a single trip. These Trailers permit fast mechanized loading and unloading with hand and power lift-trucks. Dispatching is geared to produc-

tion schedules—eliminating costly delays. Handling is direct—plant to plant—with no lost motion.

All of these advantages combine to serve a tough two-way movement of goods and to spell hauling economy that can't be matched by any other method.

Has it ever occurred to you that Fruehauf Trailers might well form a pattern for worthwhile savings in your business? Fruehauf builds many models now serving hundreds of different industries. The full Trailer story is most interesting. Phone your nearest Fruehauf representative for full details.

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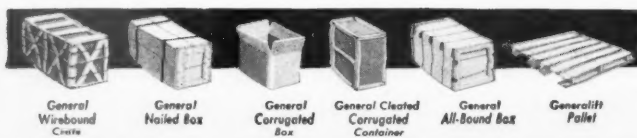
GENERAL OFFICES: 502 N. Dearborn St., Chicago 10.  
DISTRICT OFFICES AND PLANTS: Brooklyn, Cincinnati, Detroit, East St. Louis, Kansas City, Louisville, Milwaukee, New Orleans, Sheboygan, Winchendon, Natchez.

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and Canada exceeded 150,000 tons.

• **The Miners**—The companies mining the ores make a representative list of American industry. They include: National Lead Co.; the du Pont Co.; American Cyanamid Co.; Metal and Thermit Co.; Rutile Mining Co.—to name a few. Many others are scrambling for titanium-ore properties; those that have property are busy expanding their holdings.

World production of ilmenite has zoomed from 70,000 tons in 1932 to 600,000 tons in 1947. Ilmenite runs about 45% to 60% titanium oxide. Presumably, when industry really takes hold of titanium metal, ilmenite production figures will skyrocket.

## PRODUCTION BRIEFS

Du Pont will award 77 postgraduate and postdoctoral fellowships to 47 universities for 1949-50. Grants are for research in chemistry, physics, metallurgy, and engineering.

Radioactive isotopes will be used in research by Cincinnati Milling Machine. They will aid studies on friction wear, and on corrosion.

Commercial runs of fluorocarbons have started on a pilot-plant scale at Minnesota Mining & Mfg. The compounds have high stability under attack by heat, oxidation, chemicals. Possible uses include plastics, lubricants, insecticides, resins.

Recovering tungsten and other byproducts from molybdenum tailings will be the job of Climax Molybdenum's new plant at Fremont Pass, Colo.

TV tube-making facilities at Du Mont will be expanded by a \$500,000 addition (60,000 to 100,000 sq. ft.) to the Clifton (N. J.) plant.

A new way to measure heat in engine pistons has been worked out by The Texas Co. at its Beacon (N. Y.) laboratories. Air-cushioned plungers contact a thermocouple inside the piston. Thermocouple current—a measure of heat—is translated into meter readings. Advantages: no breakdowns from high speed or heat; greater accuracy.

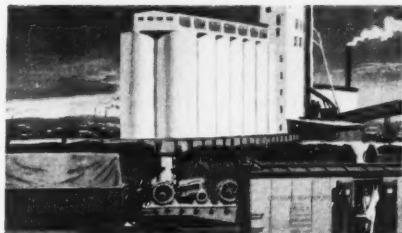
German production of chlorinated hydrocarbons from acetylene is covered by new Commerce Dept. report. See: PB 75813.

Brooklyn-Battery Tunnel in New York is said to be the first to use G.E. Slim-line fluorescent lamps.

# YOU and Your Railroads

## A "Trackside" Report for 1948

Virtually all the things you eat or wear or use, and the materials of which they are made, move to you—somewhere along the line—by rail. So here's a "trackside" report of how your railroads did their job of serving you last year:



**1. Delivering the Goods.** Every day in 1948 the railroads hauled an average of 12 tons of freight one mile for every man, woman, and child in the United States!

**2. Carrying People.** Nearly two million people rode the railroads every day. That's equivalent to carrying every man, woman, and child in the country on a trip of almost 300 miles during the year.



**3. Improving Efficiency.** Last year the average American freight train moved more tons of freight more miles per hour than ever before in American railroad history!



**4. Improving the Transportation "Factory."** In 1948 the railroads spent for improvements alone more than a billion dollars. That meant spending an average of

three million dollars per day—for new streamlined passenger trains, new freight cars, and new, more efficient locomotives—for new track, signals, and shops to keep them rolling even more surely, more efficiently.



**5. Paying Their Own Way.** Railroads provide and maintain their roadway and equipment with railroad dollars, not taxpayers' dollars. In addition they pay about a billion dollars a year in taxes. These taxes help support schools, roads, and other public projects. They are not spent for the special benefit of the railroads.

For their services railroads received in 1948 an average of only about 1½ cents for hauling a ton of freight one mile. And for carrying a passenger one mile, they got far less than they got a quarter of a century ago—when wages and the prices of railroad materials and supplies were only half what they are now.

To keep on making improvements in their service, railroads must continue investing money in better plants and facilities. To be able to do this they must make earnings in line with today's increased costs. For only adequate earnings can justify the huge investment required to keep America's railroads the most efficient, the most economical, and the safest mass transportation system in the world.



**LISTEN TO THE RAILROAD HOUR** presenting the world's great musical shows. Every Monday evening over the ABC Network, 8-8:45 Eastern, Mountain, and Pacific Time; 7-7:45 Central Time.

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## NEW PRODUCTS



### Built-in TV Magnifier

Newest television trapping is a push-button device that blows up the center portion of the usual rectangular picture to the full area of the tube face. Called 'Tele-Zoom, it will be standard equipment on Garod Electronics Corp.'s new 10-in., 12-in., and 15-in. receivers.

The push-button switch is attached to the set by a 15-ft. cord. When you want a closeup of action or faces, you click the button. That expands the 6-in. height of a conventional 10-in. picture to about 9 in. The blowup fills the usable area of the circular tube. (Fringe areas, of course, are lost.) There is no distortion of the image. But you can spot a slight difference in clarity (just as you get a "softening" of image when you hold a magnifying glass over a magazine photo). Photographer's double-exposure picture, above, gives you an idea of before-and-after image sizes. Changing the picture back to conventional size is merely a matter of clicking the button again.

On a 10-in. set, the Tele-Zoom attachment will serve up a picture that's even larger than the one you get on a regular 12-in. screen. To handle the change from the rectangular to circular image, the Garod models will be made

without the face mask that most sets have. Later on, the company says it may license the device to other manufacturers. The company address: 70 Washington Ave., Brooklyn.

• Availability: middle of this month.

### Switchover Punches

Designers at Wales-Strippit Corp. have come up with a new line of hole-punching units. The type BL punches are separate pieces that can be locked into position on templates or on plates for metal-punching on brakes or stamping presses. You can set them up in unlimited patterns, thus save the time and work it takes to design and build a fixed die for each design.

Stripping guides, springs, and guide buttons are component parts of the punching unit. The press ram is used only to drive the punches through the work. Holders automatically align the punches and dies. The manufacturer is at 345 Payne Ave., North Tonawanda, N. Y.

• Availability: immediate.

### All-Wheel Drive Tractor

Four-wheel drive is played up as the big feature of Detroit Tractor Corp.'s

latest small farm model. Company engineers say the all-wheel power: (1) makes it possible to use a smaller, lighter engine; (2) cuts fuel costs for operation (the tractor burns about 0.8 gal. of gasoline an hour under full load).

Powered by a 4-cylinder, 16-hp. engine, the tractor is steered by levers that control self-energizing brakes on each side of the differential. Pressure on either lever holds back the wheels on that side, causes the tractor to veer to either the right or left. You can turn the machine around in a 5.5-ft. radius, the company says.

Two models of the tractor are in production: One has a magneto ignition; the other, a more expensive edition, has a self starter, generator, and headlights. The company address: 3400 Scotten Ave., Detroit 10.

• Availability: deliveries in the spring.

### Circular Pipe Heater

A multi-jet gas torch that clamps around pipe and circles it with a ring of flame is the newest in tool design from Cedarberg Mfg. Co., Inc.

The Circa-Torch looks something like a pair of ice tongs. It has two jaws with three gas jets in each. These jaws close around the pipe, heat the entire circumference quickly and evenly.

The torch measures about 4x14 in., weighs approximately 2 lb. It can be attached to any size gas tank, will work on pipe up to 2 in. in diameter. If you're stopped in the middle of a job, you can lay the torch aside without having to relight it when you resume. Beside heating "T's," elbows, and joints, the torch will be handy for warming up soldering irons and thawing pipes. Company headquarters are at 529 S. Fourth St., Minneapolis 15.

• Availability: 30 days.

### P.S.

**Calculator** to figure piece-work time is marketed by Time-Tab Inc., 2525 Fruitland Ave., Los Angeles. Built like a slide rule, it can be set to tot up net working time for an employee—or for a product in production—in a few seconds.

**Hard surfacing powder** will keep cutting edge on mixing blades, drill bits, forming dies, scraper blades. It makes a thin chromium carbide surface, is put on with a carbon electrode. Lincoln Electric Co., Cleveland 1, is the manufacturer.

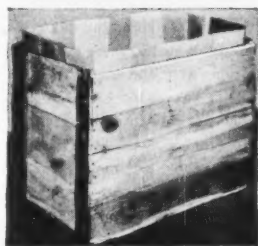
**Refrigerator cabinet** for trucks is low-cost protection for milk and meats in transit. It has an ice compartment over the cooling chamber. Water from the melting ice moves over a baffle plate to the inner walls of the cabinet, flows downward as an even sheet. Quirk Co., Cudahy, Wis., calls the cabinet Cold Seal.



Shrouds for machinery or palletized products



Kraft covers for shipping or storage



Waterproof case liners

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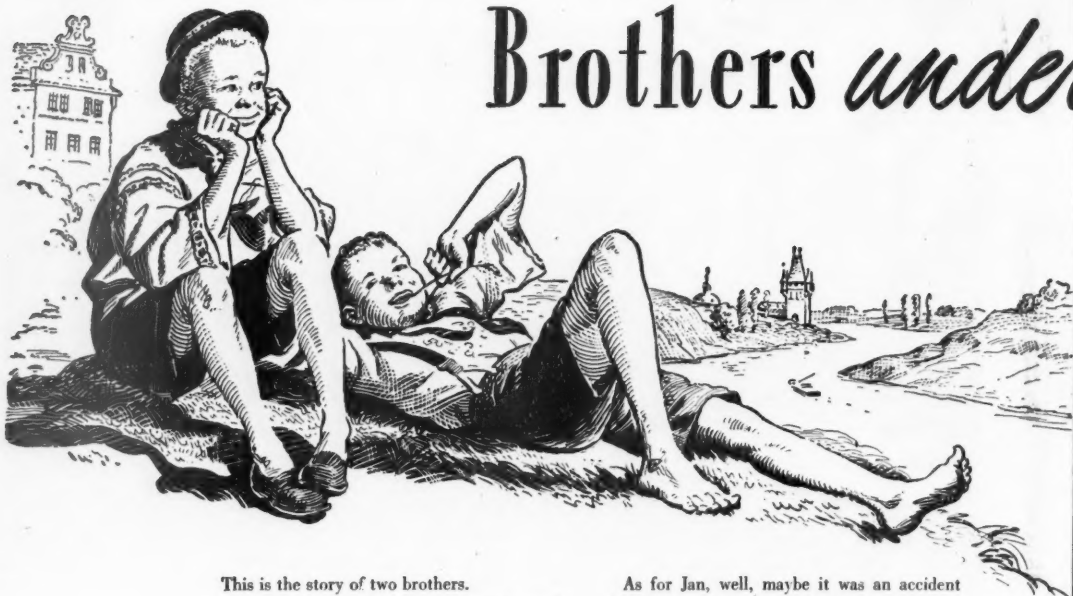
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# Brothers *under*

This is the story of two brothers.

It has its beginning in a Northern province of Czechoslovakia. Two small boys were sprawled on the banks of the broad Elbe River. This afternoon was not unlike many others. For often they sat by the river and talked, sometimes until sundown.

"I'm going to be rich when I grow up," Karol would vow. "I'll own much land . . . and everyone will point to me and say, 'There is Karol Mahacek. He is the richest man in all Czechoslovakia.'"

Then Jan would watch for that familiar look of determination he had seen so many times on his brother's face. He would see his dark eyes growing larger and brighter, shining already with the happiness the future promised. And he would nod at his brother. Yes, Jan thought, Karol is smart. Yes, Karol will be rich some day.

But Jan, too, had dreams . . . dreams he dare not even tell. For Karol would surely think them strange. So he said nothing. He just sat there and looked out into the horizon. Somewhere beyond the Elbe there was an ocean . . . and beyond that? Well, some day he would know.

Old Eduard Mahacek considered his sons—what the future held for them. He even prophesied it many times.

"Jan is a dreamer. He is the one with imagination, but he is not as ambitious as Karol."

Yes, even at an early age, Karol was marked for success.

As for Jan, well, maybe it was an accident that he happened to be on the village dock when a river boat stopped for cargo. Maybe it was fate when on an impulse he took a job on the boat and found his way to the sea, to a different way of life—for Jan came to America.

It wasn't easy for him, at first, this new world. He used to write home about the strange American ways. Yet, there was always something wonderful to tell. He was making progress. He had a good job—good pay.

But Karol's letters were different—filled with uncertainty. He couldn't save to buy the land he promised himself he'd one day own.

What does the story of these two brothers mean—and why are their lives so different today? For Jan Mahacek faces the future with confidence—owns his own home—a car—his family is well fed, well clothed.

While Karol is a man without hope—his family ill clothed, ill fed—no home of their own.

The answer is simple, for both are *symbols* of America and Europe. Actually, there is no difference in the people here and there. ***We are all brothers under the skin.*** Like Jan and Karol, we are Czechs, or we're English, French, German, Spanish, Finnish, Norwegian, Polish, Italian . . . just as people are there. We are the same people, with the same blood, the same native ability. But there is *one* essential difference...

# the Skin

Here in America, we have the opportunity—the privilege to use to the fullest our native ability.

Much has been said about the production genius of America. And who will deny it? But that power to produce far beyond the record of any nation on earth would never have blossomed into its present greatness if the individual in America had not had the chance to expand his individual talents to produce. Yes, here in America, all have been free to express themselves, to use and to develop talent and ability. This freedom to grow and build for the future isn't something to be considered lightly. It is something that all of us must guard, even with life itself.

Yet, in the abundance that surrounds us, we sometimes forget. We forget that with all this comes an obligation—an obligation to WORK. For, if we do not work to preserve it, we do not deserve it. This great productive power of America grew because of work, became the great thing it is because men bent to the task to accomplish an end.

Today, there are forces at work to hold back the high productive ability of America. A false creed is abroad. Some put it this way—"Hold back effort—do only an average job—regulate things." It all has a familiar ring—it is a creed of trading individual opportunity for false promises of future security.

Here at Ceko, we do not accept this creed of leveling of effort, for we believe in full opportunity for the individual. We know what all-out unharnessed production can accomplish. In this past year, for example, we have seen the building industry, unhampered by fewer controls, roll up one of the most impressive records in the history of the industry. Ceko salutes construction men

for the job they are doing. Their accomplishments represent the American way of doing things, and we believe in the American way to solve our problems, to provide a more abundant life, to curtail shortages, to drive down prices.

Yes, the way to do this is to work. ALL must work MORE—not be content to be average. Management must work at managing. Labor must work to produce—give a full day's work for a full day's pay. We must constantly produce, create more things instead of less, reduce overall costs per unit—justify high wages. The will to work can drive down costs and prices, drive up production which labor and management both need to stay prosperous.

We believe in the right of each man to work for greater opportunity. We believe in the individual's pride in his work and we believe in the importance of the individual's contribution to the task as a whole. We believe in a "two-way traffic" in ideas on how to do the job better. In four years, Ceko has had over 3200 suggestions from shop and office on how to improve product and service.

In all aspects of Ceko's work, we strive for meticulous attention to the little things, because we believe no product is better than the perfection of the smallest detail.

We like to sum it all up in an ideal which best describes the way Ceko and all of its people work in seeking production excellence...

"NO TASK IS TOO SMALL,  
NONE TOO LARGE,  
TO RECEIVE EXACTING CARE.  
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ENGINEERING EXCELLENCE  
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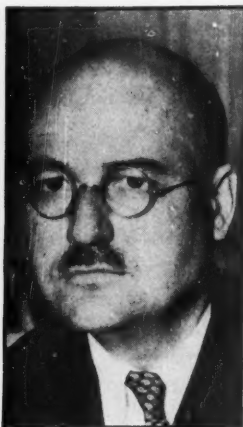
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# MARKETING



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James P. Baxter



Frank Stanton



Isador Lubin

COMMITTEE appointed by the Social Science Research Council makes its . . .

## Report on the Holes in the Polls

Market-research techniques still basically sound. So are properly conducted election polls. Seven recommendations made.

Last week saw the second-act curtain of a drama which may well go down in history as "The Trial of the Pollsters."

**THE DEFENDANTS:** Researchers Archibald M. Crossley, George A. Gallup, Elmo Roper.

**THE INDICTMENT:** Anything from outright fraud to justifiable mistakes in predicting the wrong outcome on Nov. 2.

**THE JURY:** A special committee of nine prominent scientists appointed by the Social Science Research Council.

**THE VERDICT:** As summarized by pollster Roper, "You are honest but dumb." In the words of the jury itself, "The pollsters overreached the capabilities of the public-opinion poll in attempting to pick, without qualification, the winner of the 1948 election."

• **Business Significance**—For businessmen who use market research—and for the market-research firms themselves—the whole drama may yet have a happy ending. For one thing, the committee's report emphasizes again the superiority of "surveys aimed at determining existing facts" (the typical market-research survey) over those which attempt "to measure opinion or predict future action" (election polls). It goes on: "The single 1948 failure should not destroy public confidence in polling. Prior to 1948 there was overconfidence for the wrong reasons. Now there is danger of

an unwarranted distrust, also for the wrong reasons."

But the report goes even further. The Nov. 2 debacle, it says, "should have a wholesome long-run effect." Reason: Techniques of surveys and polling are bound to be improved.

• **Research**—The committee itself contributed to that result by uncovering some of the major errors and hazards in polling. To do that, it set five statistical experts to work for five weeks, comparing past polls with elections, studying the pollsters' 1948 records, analyzing postelection polls and similar material. The results they report confirm—and refine—what has already been told about the holes in the polls (BW—Nov. 13'48, p. 25).

To begin with: "The pollsters showed poor judgment. . . . The manner in which the polls were published for public consumption contributed materially to the misinterpretation of the results." Or, as BUSINESS WEEK said earlier: "It's often the footnotes—the hedging—that makes all the difference in the world."

• **Errors Traced**—Where the committee and its experts got down to work was in tracing where the polls went wrong. The scientists point out that errors can crop up in any of the eight major steps of a poll, but they boil them down to two basic kinds:

(1) Errors of sampling and interviewing.

(2) Errors of forecasting what people will actually do from what they say they will do.

The Gallup and Crossley polls both forecast for Truman about 5% less of the vote than the President actually received. The scientists' report does not say so in so many words, but it attaches virtually equal importance to the two kinds of error in explaining those critical five points.

• **Two Percentage Points**—No one can say exactly how large the first kind of error was. But the committee does point out that, in both the 1944 and the 1940 elections, these two polls underestimated the Democratic percentage by two points. That could easily have happened again.

Reasons for this sort of error largely—if not entirely—have to do with the use of "quota" instead of "probability" samples (BW—Nov. 13'48, p. 26). The pollsters use the quota system: They analyze the entire population in terms of such factors as age, race, income, and population; then their interviewers talk to enough people in each class so the sample will have all classes in the right proportions. Any person who, in the interviewer's opinion, fits the proper class will do for the purposes of the poll.

Most trained statisticians object to this factor of judgment. They prefer the probability system: They draw a completely random sample of the entire population—for example, by picking names out of a hat; then they interview every person in that sample—no matter how many call-backs that

requires. The committee report definitely criticizes the polls' use of quota sampling.

• **Two More Percentage Points**—Main source of the second kind of error, the report says, was "a net shift to Truman of two to three percentage points in the last two weeks." Both Gallup and Crossley stopped polling two weeks before election. And Roper, of course, stopped early in September.

Postelection polls suggest how this shift occurred. An unusually large number of voters were undecided before this election. The pollsters assumed they would divide in about the same proportions as those who had made up their minds. Actually, a great majority of them ended up voting for Truman. Furthermore, some "decided" voters changed their minds in the closing days. And far more of them switched to Truman than to Dewey.

• **Hedges**—The full 18-page committee report actually states its conclusions more tentatively, of course. It also covers a lot more ground in detail. At every step of the way, it says, small errors can arise—errors which can pile up into a sizable total.

Yet the committee could not readily check up on most of these possible errors. Hence its almost exasperated verdict on the pollsters that they went too far in picking a winner without qualification. Hence, too, the admonitions to improve methods along scientific lines.

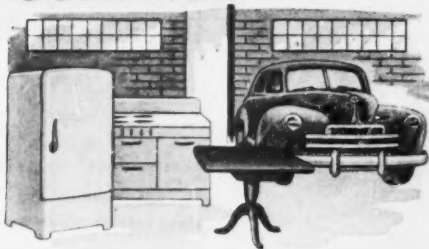
The scientists went on to make seven specific recommendations: use of better sampling methods; more research into such techniques; research on social psychology and political science; more information to the public about the polls' limitations; better cooperation among public-opinion researchers on such problems as methods, underlying theory, and reliability; greater training opportunities for students in this field; and faster reporting of election statistics.

• **Chastened?**—Timing of the report was auspicious. It appeared Dec. 27—after Christmas, but in time for New Year's resolutions. The wayward pollsters, seemingly properly impressed, greeted it with such adjectives as "excellent," "impartial," "painstaking," "constructive."

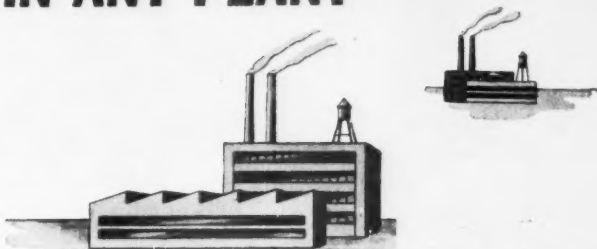
But the pollsters seem to have no intention of reforming their statistical methods from "quota" to "probability" samples, along the lines recommended. Instead, they say there is no "conclusive evidence" or a "need for more evidence" on polling techniques.

• **Psychology**—The pollsters themselves stress "psychological rather than statistical" problems as requiring solution. They point to the last-minute shift in votes which they uncovered in post election polls. And they end up by

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chiding the committee gently for not "going more deeply into the problem of turnout... the question of which groups will vote in the greatest proportion."

At this point, any business observer can detect the smell of economics in this smoldering discussion of statistics vs. psychology: It would cost the pollsters a lot more to use "probability" instead of "quota" samples—but it need not cost them any more to improve and expand their questionnaires. (Nevertheless, some market-research firms who don't go in for election polls have already shifted from quota to probability sampling.)

• **The Committee**—Chairman of the nine-man committee of scientists was Samuel S. Wilks, professor of mathematical statistics at Princeton. The other members: James P. Baxter, president of Williams College; Philip M. Hauser, associate dean of the Division of Social Sciences, University of Chicago; Carl I. Hovland, chairman of the Dept. of Psychology, Yale; V. O. Key, professor of political science, Johns Hopkins; Isador Lubin, chairman of the Committee on Statistical Standards of the American Statistical Assn.; Frank Stanton, president of Columbia Broadcasting System; Frederick F. Stephan, professor of social statistics, Princeton; and Samuel A. Stouffer, professor of sociology, Harvard.

## MARKETING BRIEFS

**Trend in carpet prices for 1949:** up 3%. Bigelow-Sanford made the first move, was soon followed by Magee Carpet, A.&M. Karagheusian, and James Lees & Sons. And Congoleum-Nairn followed suit with a 3% hike on its linoleum products.

**Tobacco premiums** are coming back. Special coupons, redeemable for prizes, will soon reappear in packages of Brown & Williamson's Raleighs.

A diaper air-lift served Birmingham last week. When the city's Lullaby Diaper Service was destroyed by fire, the company's Atlanta branch maintained the supply by plane.

**Chain stores** spent \$457-million on modernization in 1948, says Chain Store Age. That beat 1947 expenditures by 18%. Variety chains led with an outlay of \$151-million.

**Stromberg-Carlson** has changed its TV-pricing policy. It used to include excise tax and cost of installation. Now it will conform with general industry practice, quote these items separately.



CORN



BEANS



OATS



BARLEY



COTTON



HOPS



TOBACCO



GRAPES



SUGAR BEETS

## A GROWING BUSINESS

A growing business, literally and figuratively, is agriculture . . . and 1948, according to the U.S. Department of Agriculture, was the biggest year in the nation's history. Record production was scored by corn, peanuts, pecans, and soybeans; near-record production was scored by citrus fruits, dry beans, flaxseed, oats, rice, sorghum, and wheat; and above-average production was scored by barley, cotton, hay, hops, potatoes, sugar beets, sugar cane, tobacco, apricots, cherries, grapes, and peaches.

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It is our business, as "Paper Makers to America," to grow with the growth of American industry, which is demanding more and more Mead Papers of the Mead, Dill & Collins, and Wheelwright lines—"the best buy in paper today."

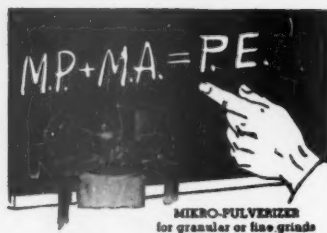
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The above equation has a dollars-and-cents bearing on your production problems. It means that MIKRO-PULVERIZERS, plus MIKRO-ATOMIZERS equal Processing Efficiency.

It is the basis of the MIKRO—Plan for Processing Efficiency perfected through over 55,000 laboratory tests checked against field performance over 25 years. It has enabled many manufacturers to improve quality, increase quantity, decrease power consumption and eliminate such cost and time-consuming items as screening, classifying, duct work, etc.

It will cost you nothing to find out what the MIKRO-Plan can do for you. Write for your copy of our Confidential Test Grinding Data Sheet.



**PULVERIZING MACHINERY COMPANY**

87 Chatham Road, Summit, N. J.



*Automatic*  
**REZNOR**  
*gas fired unit heaters*

**POPULAR**

For industrial plants  
For offices and stores  
More sold than any other  
Made since 1888

Catalog shows special  
features. Write today.

**REZNOR MANUFACTURING CO.**  
3 UNION ST., MERCER, PENNA.

## Snow Tires Ride to Boom

Rugged winter, chain shortage bring big demand for snow-treads. Tiremakers scramble to keep up with demand. Chains won't feel competition this year, but face a long-term sales threat.

The winter weather is snowing tire manufacturers under with orders. Usually, winter is the off season for the tiremakers. But this year, they're doing a big business in tires designed especially for driving on snow and ice.

• **Unprepared**—The demand has caught the tiremakers with their stocks down. They weren't prepared for the clamor that has made trade observers call these tires "the hottest item in the industry today."

Now, they're trying to catch up. It's going to be hard to do, however; most manufacturers have a relatively small number of molds for this type of tire.

• **Popularity Spreads**—Actually, the tires aren't new. Most manufacturers have carried them in their lines since the 1920's. Made in regular sizes, the tires have heavy cleated treads which give excellent traction. Price is about 10% above the cost of a regular four-ply tire. Previously, their popularity has been greatest among farmers, doctors, rural mail-carriers, and others who have to drive regardless of the weather.

This year, their popularity has spread. City and suburban dwellers want them

too, for a number of reasons. Here are a few:

• Lots of drivers are tired of putting chains on, taking them off again when the snow melts. With snow-tread tires, they can drive all winter with only two major operations—putting the snow tires on when the first snow comes, and taking them off with the arrival of spring.

• Chains are in short supply. In many sections of the country, they have become a black-market item.

• Many winter motorists need extra traction only to get out of their driveways into the plowed street. Chains are just excess baggage on snow-free roads.

• Conventional tires today are generally not so good from a nonskid standpoint as they were ten to 15 years ago. Reason: Yesterday's fancy nonskid patterns made the tires noisy in nonwinter driving, hence, were modified.

• A lot of Army veterans have seen the rugged treads perform on jeeps and Army trucks; they're willing now to try them on their own cars.

• **Other Reasons**—Another factor: Some of the postwar automobiles are so designed that it's a real feat to get chains



### Special Handling for Small Orders

Delivering 100 tons of stainless steel sheet to your doorstep doesn't cost much per pound—unless you order it in small quantities. Then the delivery costs go up like a skyrocket. Besides, small orders can rattle around on the truck, frequently become bruised or dented. To reduce the costs and dangers of deliveries, U. S. Steel Supply Co.

in Los Angeles has a special truck for individual sheets. The device consists of two upright panels, one of which can be moved across the bed of the truck by turning a handcrank. From one to 100 sheets can be held between the two panels; as deliveries are made the panels are cranked closer together to keep the remaining sheets upright.



*Announcing...*

*The*  
**UNDERWOOD**  
*Rhythm Touch*  
**DE LUXE !**



Expect an exciting *NEW*, delightful typing experience . . . from the moment your De Luxe Underwood arrives.

And watch your boss' eyes light up when he sees the crisp, clean work you do. Besides, you'll find it easy to do *more* work . . . with *less* fatigue.

Just LOOK at the new typing advantages you'll have over other secretaries:

*New* . . . full ten inch writing line, on standard carriage width (one inch more than before).

*New* . . . machine enclosed for quieter operation and protection against dust and dirt.

*New* . . . the most pleasing touch ever developed in a standard typewriter.

*New* modern styling . . . Finger-Form keys.

*New* Drop Line Space Lever for an easy, fast, and positive carriage return.

*New* deeper Paper Table and larger Lateral Paper Guide . . . for faster, more accurate insertion of paper.

*New* improved Variable Line Spacer and Cylinder Knobs . . . larger and deeper threaded . . . permit easier and more accurate aligning, both vertically and horizontally.

*New* Removable Platen. (Softer platen for normal typing and quiet operation. Harder platen for manifolding and heavy duty.) Gives added versatility to machine.

*New* non-glare Underwood gray finish.

Also, you'll have on hand all the helpful Underwood features you've always enjoyed . . . including your old friend *Rhythm Touch* and the handy front-controlled Self Locking Margin Stops!

Be sure your boss orders the new Underwood De Luxe. Get a demonstration today.

**Underwood Corporation**

Typewriters . . . Adding Machines  
Accounting Machines . . . Carbon Paper  
Ribbons and other Supplies

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Underwood Limited,  
135 Victoria St., Toronto 1, Canada  
Sales and Service Everywhere

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**UNDERWOOD . . . TYPEWRITER LEADER OF THE WORLD**

## MATERIAL HANDLING

A NUMBER ONE

PROFIT

FACTOR

Cost accounting has *proved* that material handling, while adding nothing to product value, frequently accounts for 10 to 20% of the manufacturing dollar.

Today's labor and material costs emphasize the importance of reducing this expense through improved material handling methods — thus maintaining or improving profit margins.

Mercury's 36 years' experience in the material handling field is available to you at no cost or obligation. For consultation on your particular handling problem, ask a Mercury Sales Engineer to call, or request Catalog No. 7-11.



THE MERCURY MANUFACTURING CO.

4146 South Halsted Street  
Chicago 9, Illinois



TRACTORS • TRAILERS • LIFT TRUCKS

on. And some new models—with side covers on the rear wheels—don't have enough clearance between cover and wheel to accommodate chains. So if you want to keep the snappy wheel covers on your car, you have to go without chains—and maybe put on snow-treads.

Added promotional effort by the tire-makers and sellers is another reason why snow tires are going over so big this winter. As far as most tire men can remember, this is the first winter that these tires have been advertised on their own, separate from standard types. Tire companies and their outlets see a chance for upping sales. They would like to equip every car with four regular tires and two special winter models.

The snow tires, say the manufacturers, will last for the life of the car—if you use them just for winter driving. But they expect that some users won't bother to take the snow tires off when spring rolls around.

Snow-treads have one drawback: They don't provide any extra traction on ice or heavily packed snow.

• **Special Retreads**—Tire sellers have another answer for this type of hazard. It's a special tire with sawdust, salt, or particles of abrasives mixed right into the rubber. These "camelback" treads grip better on slippery streets than anything yet designed by the industry. But they're no good for snow. And the improved grip on the street makes them wear faster than any other tread.

Manufacturers aren't making this type of tread. Getting it means a recapping and retreading job. The snow-tread tires, on the other hand, are available both from manufacturers as new tires, and from recappers.

Independent tire stores with vulcanizing and retreading machines are making the most out of the demand. Their snow tires have what amounts to a double tread, with the new cleated tread placed right on top of the old.

Some retreading shops sell the retreads on someone else's tires; you have to trade in your present shoes to get them. That's because the demand for old casings in some parts of the country has just about absorbed the available supply.

There are other tricks to lick the snow without chains: Goodyear's "punctured" tread for one (BW—Nov. 13 '48, p30).

• **Chain Trouble?**—But snow-treads don't replace chains completely. Chains, for all their nuisance value, will do a job on most any kind of winter-clogged highway.

Still, some observers say, sales of snow tires are bound to hurt the sales of auto chains in the long run. Not this year, when the demand for chains has far outstripped the supply. But in another year, sellers of chains may find that they have some real competition from the snow-tread tiremakers.

## Mail Houses Cut

New Big Four mail-order catalogs offer more cheap lines, lower prices generally. Textiles especially are soft.

The Big Four of mail-order selling last week laid down their bets that, during the next six months:

THE GENERAL PRICE TREND will be down, and

CONSUMERS WILL SHIFT to the lower-price end of the merchandise lines.

• **New Books**—The bets were made in 1949 spring-and-summer catalogs put into the mails by Sears, Roebuck & Co., Montgomery Ward, Alden's, and Spiegel. All feature a declining price trend, and expanded lines of merchandise in the lower-price brackets.

• **Sears Down**—Sears' average catalog price is down for the first time since the war. Sears officials did their own figuring. They report their average price is 1.7% lower than the average for the fall-and-winter book issued last July. Biggest cut is in goods like textiles and wearing apparel. Price increases are in appliances and hard lines made of metal.

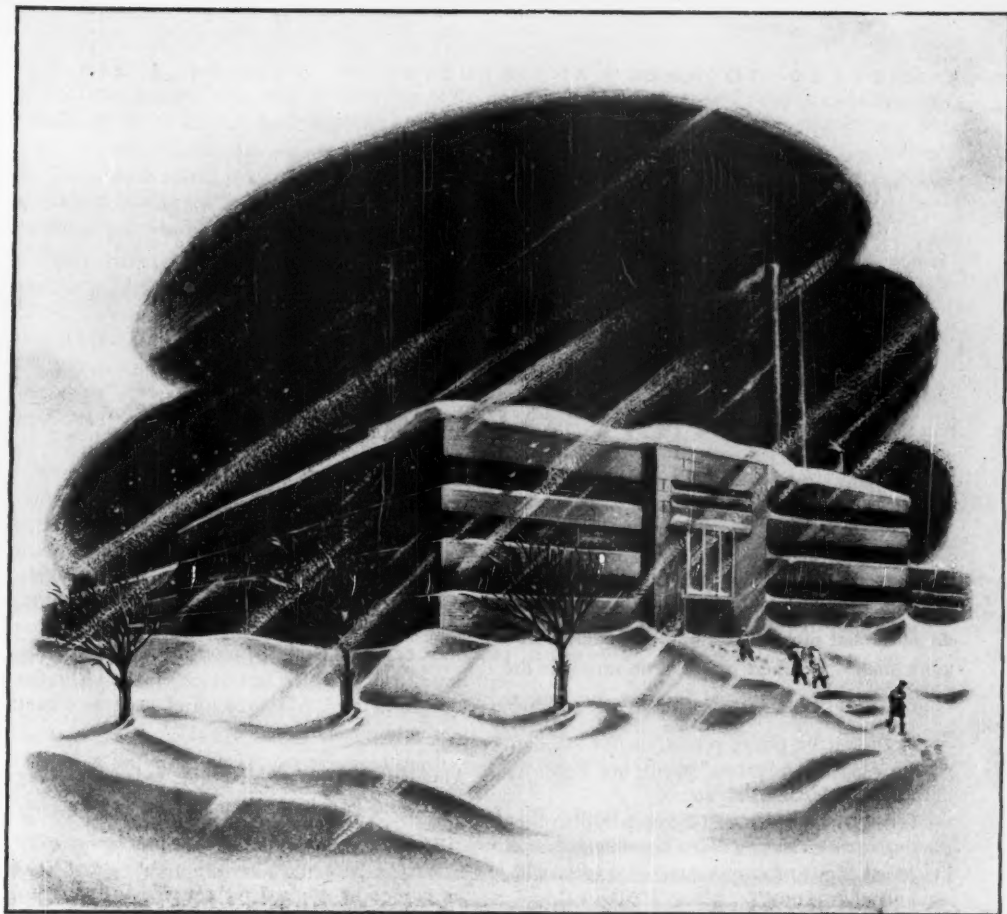
Earlier this month Sears had cut prices in its retail stores 3% to 10% on refrigerators, and 5% to 15% on washing machines. Now its mail-order customers will get the same break.

• **Ward Cuts**—Ward makes no average price comparisons between the new catalog and the preceding one. But Ward officials point out reductions of 15% to 20% on many textile items, 10% to 20% cuts in jewelry, 10% price reductions on some major electric appliances, including washing machines, and \$5 to \$15 price cuts on refrigerators.

To keep the big catalog from getting too fat, Ward took some more merchandise out of the general catalog, packaged it into smaller specialized books. Last year the company began a special farm catalog; this year it has added a 92-page garden catalog. During the year, it also put out special books for photographic, camping, and electronic equipment, and for wallpaper.

• **Alden and Spiegel**—In Alden's spring book, price decreases ranged as high as 15%. Rayon dresses started at \$3.98, compared with \$4.98 a year ago; washing machines are down from \$104.95 to \$89.95; starting price on radios is \$9.95 compared with \$12.95 in the 1948 book.

Spiegel merchandisers have expanded many lines to include a wider selection in the lower price ranges. Textile lines generally are lower; only a few lines—hit by material shortages and rising labor costs—are slightly higher.



## *"I wish I was in Dixie"*

When icy winds blow, what factory wouldn't like to shed its winter overcoat and move 'way down South?

For here in the up-and-coming Southland, served by the 8,000-mile Southern Railway System, the birds are always singing and the flowers are always blooming. For here, an

unbeatable combination of gentle climate and a generous Nature will make any factory stand up and sing, "Hurray! Hurray! I'm gonna live and grow in Dixie!"

*"Look Ahead—Look South!"*

*Ernest E. Harris*  
President



### **SOUTHERN RAILWAY SYSTEM**

*The Southern Serves the South*

*"Give us the tools . . ."*

## What Are YOUR Chances If There Are No Profits?

Since the November 2 election there has been a dazzling variety of plans to have the government do more and more things and spend more and more money. But there is almost no variety in the plans which are suggested to raise the money.

"Pay for it by taxing profits," is the standard refrain. Slap on an "excess" profits tax. Boost the corporations' income tax rate.

Well — why not? Haven't the corporations been making so much money that a big chunk of it can be turned over to the government spenders without hurting anybody?

*The answer is no!*

How high profits should be can be debated endlessly. Some people claim that 1948 corporation profits, which will amount to about \$20 billion, are too high. They emphasize the fact that profits are larger in relation to investment than they were a few years ago. Other people think profits are low. They stress the fact that profits are not much larger in relation to sales than they have been historically. Both sides agree that in some individual cases profits have been too high, as in others they have been too low or non-existent.

*But if we cut the total volume of profits drastically, we shall do so at our national peril.*

There is no room for debate about that. For we shall choke off the crucially important job of building new plants and equipment for our industries. Squeeze hard enough, and America will go the

way of Britain — down the long and painful skids of industrial decline. Widespread unemployment, especially among our industrial workers who produce new plants and equipment, will mark the dreary way. Here is a fact which the President, the Congress, the C.I.O., and all of us have a real reason to remember:

**Almost two-thirds of all profits today are going to rebuild and improve plants and equipment.**

*More than \$13 billion of this year's profits are being plowed back. They are going — as a large proportion of profits have always gone — to buy for workers better tools to work with, better surroundings in which to work. They are making possible better products, and more of them, for all of us.*

The figures below show how companies have put more and more profit-dollars and a larger share of their profits to work in the business:

YEAR	PROFITS REINVESTED	% OF TOTAL PROFITS
1929	\$2.6 billion	31%
1939	1.2 "	24%
1943	5.9 "	57%
1944	5.2 "	53%
1945	4.2 "	47%
1946	6.9 "	55%
1947	11.2 "	62%
1948 est.	13.0 "	65%

*continued on next page*

The record shows that each of us is the real beneficiary of this plowing back of profits.

Every American has benefited from these profits. Each dollar that business has put into its plants and equipment in the last thirty years has increased our yearly production by 35 cents.

*This re-investment of profits has helped make possible a 75% increase in living standards since 1919.*

*It has helped increase wages from an average 48 cents an hour in 1919 to \$1.36 today. Allowing for higher prices, that increase means that an hour's work today will buy twice as much as it did thirty years ago.*

Why must business retain these billions of profits to improve its plants and equipment? Why must it plow back more and more? *The reason is that business already is caught in a tax squeeze.*

Federal taxes alone take at least thirty-eight of each one hundred dollars a company earns. Then, if the company pays out to its stockholders any part of what is left as dividends, the federal personal income taxes of the stockholders may take up to 77% of those dividends. Under these conditions, so few people are willing to invest in industry that the stock market is stagnant. Companies can not raise in that market the money they need for improvements.

*The result: business must rely more and more on plowed-back profits to pay for new plants and equipment.*

We know that everywhere in industry new and better ways of producing goods are standing ready for use. The previous editorial in this series mentioned some of them. We know, too, that depression and war put our industries far behind schedule — as much as \$100 billion behind — in getting the new tools they should have had to keep themselves in first-class shape. McGraw-Hill is now completing a survey of industry that will measure these needs. The results will be published in this editorial series. We know already that in 1949 alone industry will need \$18 billion or more for this purpose.

And all but a small fraction of that sum must come from profits.

**Our prosperity, our strength as a nation, our hopes for better living depend on our continuing to generate and to plow back a large volume of profits.**

For that reason we should not thoughtlessly follow these people who propose to pay for any and all new government activities by saying simply, "Soak the corporations." There is no need to follow them. There are other ways of obtaining necessary funds.

First and foremost should be economy within the government itself. If its citizens must pay still higher taxes, then surely government should exercise rigid self-restraint, cutting out all but the most essential activities and expenses.

After economy should come consideration of a broader federal tax base.

If these and other methods of raising money are inadequate and if taxes must take a bigger bite from business profits, two facts are clear. We should not adopt an "excess" profits tax with all of its complications and all of its corrupting effect on business. A moderate increase in the regular income tax on corporations is much less dangerous. *But even such an increase, if necessary, should be accompanied by special allowances for expansion and depreciation that will encourage companies to continue spending their earnings for new plant and equipment.* We all have a stake in that.

**At this critical juncture in our history profits have a new and vastly more important role than they have ever had. In unprecedented degree they are the drive behind our present prosperity and the key to a better, stronger future.**

**Give profits the axe and the blow does not stop there.**

**It cuts into the employment, the prosperity and the strength of our nation.**

**Everyone of us has a stake in how the President and Congress handle taxes on profits — and now is the time to remind them of that stake.**



President, McGraw-Hill Publishing Company, Inc.

# ROSS

## HEAVY DUTY LIFT TRUCK



### CUTS HANDLING COSTS 50% for The Imperial Desk Company, Evansville, Indiana



All lumber used in the manufacture of Imperial's well-known quality office furniture is handled by a Ross Lift Truck. Over a period of two years, this machine has consistently moved and stacked this lumber at a saving of 50% of former cost!

Arriving at the plant via rail or truck, the packaged lumber is unloaded, stacked in the yard for air-drying then transported to the mill. These operations are accomplished by the Ross in a fraction of the time required by former handling methods.

**This is another of the many examples of what Ross Lift Trucks can do for you. Why not get all the facts about Ross?**



### THE ROSS CARRIER CO.

300 MILLER STREET, BENTON HARBOR, MICHIGAN, U.S.A.  
Direct Factory Branches and Distributors Throughout the World

## READERS REPORT:

277 William Street South,  
CHATHAM - ONTARIO - CANADA

Date.....

### TO INSURE PROMPTNESS



Pardon the liberty of returning your original with just a marginal note. Losing nought of its importance to us; but with typing service a daily problem, the more accustomed manner has yielded to "urgency" even as we bespeak your indulgence.

*Industrial Bureau*  
WM. M. GRAY,  
Commissioner.

### Quick Letter Answerer

Sirs:

I spotted that labour-saving suggestion of marginal answers to correspondence [BW—Oct. 9 '48, p33].

I was quick to avail myself of its advantages and here's a Canadian version in a slightly different guise [above]. You probably wonder where I got the opening phrase, "to insure promptness." Well, you see you gave me a tip, and that started a chain of thoughts, because of course the word "tip" originated in Scotland where they had placed a small box just outside the dining room at the inn, and above it they placed this sign: "To insure promptness." In time the first letter of each word became itself a word, which today is known the world over. . . .

WILLIAM M. GRAY

COMMISSIONER,  
INDUSTRIAL BUREAU,  
CHATHAM, ONT.

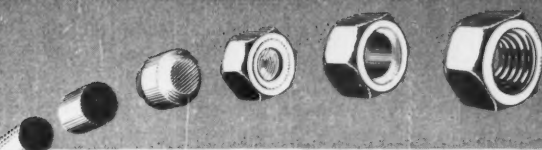
### Truck Sales and Profits

Sirs:

In an article entitled "Dull Spots in a Bright Picture" [BW—Nov. 20 '48, p95] you show for the third quarter of this year—compared, I assume, to the third quarter of last year—that Diamond T Motor Car Co. had an increase in sales of 11.3% and a reduction in net profits of 33.4%. Actually, our sales for the third quarter compared to the third quarter of last year showed a decrease in

# Scrapless Nut Wire

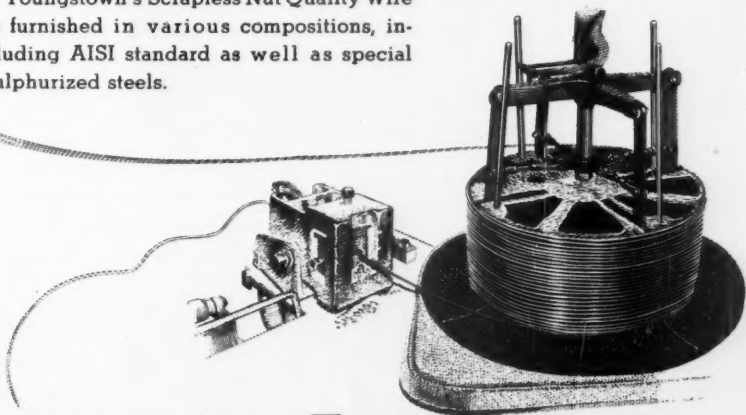
custom built to meet customers' requirements



SCRAPLESS Nut Quality Wire is not an ordinary steel for common applications. It is a custom built product designed to meet customers' specific requirements for cold heading, cold punching, cold expanding and threading, in the production of a variety of nut shapes on continuous heading machines.

Every step of its manufacture is carefully controlled--from the melting furnaces to the final drawing operation on the wire machines. Each coil of wire is subjected to close inspection and rigid tests with modern electrical testing apparatus.

Youngstown's Scrapless Nut Quality Wire is furnished in various compositions, including AISI standard as well as special sulphurized steels.



# Youngstown

## STEEL WIRE

**THE YOUNGSTOWN SHEET AND TUBE COMPANY**

Manufacturers of Carbon, Alloy and Tool Steel

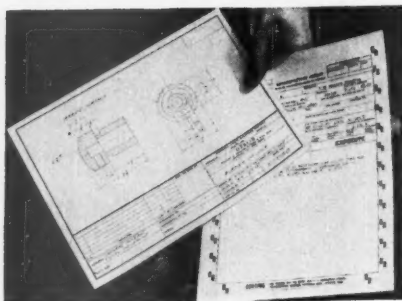
General Offices - Youngstown 1, Ohio

Export Office - 500 Fifth Avenue, New York

WIRE - COLD FINISHED CARBON AND ALLOY BARS - PIPE AND TUBULAR PRODUCTS - CONDUIT - RODS - SHEETS - PLATES - BARS - ELECTROLYTIC TIN PLATE - COKE TIN PLATE - RAILROAD TRACK SPIKES.

**If you copy ANYTHING typed,  
drawn or written, you need OZALID!**

**It's Simple...**



Take any letter, sales report, form, drawing . . . anything typed, drawn or written.

Put it next to a sheet of any Ozalid material (paper, plastic, cloth, black, blue, red, sepia) and then feed it into an Ozalid machine.

**It's Quick...**

In as little as 25 seconds, you (anyone can operate Ozalid) will have a dry, positive, exact duplicate of your original material!

Ozalid copies can be used as masters to obtain more copies! No proofreading . . . no mistakes . . . no delay!



**It's OZALID!**



You can make Ozalid copies any length, and almost any width. You can make them directly from translucent material, and from opaque originals with an intermediate step.

Write today on your letterhead for FREE booklet which tells the full Ozalid story, shows all the Ozalid prints. Or consult your classified directory for local distributor.

**Don't copy**



**use OZALID!**

Dept. 5, Johnson City, N. Y.

A Division of General Aniline & Film Corporation. "From Research to Reality"



sales of 11% and a decrease in profits for the quarter of 35%.

In figures which cover the first nine months of the year—comparing 1948 and 1947—you show Diamond T sales 31.2% less than last year, whereas actually our decrease is only 2%, and you show a net profit decrease of 20.9%, whereas the actual decrease is 22% . . .

Also, where you refer to Mack Trucks, you show the correct decrease in sales of \$1.1-million, and then you say that profits sank from \$1.8-million to about \$600,000. Since this sentence deals with sales for nine months, it would be assumed that profits should be quoted for the same period, in which case the correct figure for the nine months of 1947 is \$5.3-million, and for 1948, \$3.1-million.

I am sure that BUSINESS WEEK wants to quote accurate figures, and it is for this reason I am calling the above to your attention.

E. J. BUSH

OFFICE OF THE PRESIDENT,  
DIAMOND T MOTOR CAR CO.  
CHICAGO, ILL.

• Yes, indeed, BUSINESS WEEK not only wants to quote accurate figures, but it intends to do so to the fullest extent possible. BUSINESS WEEK prides itself on its accuracy. This is one time when our pride has really suffered.

**From the Ohio Valley**

Sirs:

We would like to compliment you upon the very fine article entitled "The Upper Ohio Valley: Industry Discovers a New Area" [BW—Dec. 11'48, p64].

This is one of the finest expositions that we have seen of what has been happening in our valley, why it has happened, and what more we may expect in the way of industrial development.

J. M. PENROSE

SECRETARY-MANAGER,  
MARIETTA CHAMBER OF COMMERCE,  
MARIETTA, OHIO.

**The Postal Deficit**

Sirs:

BUSINESS WEEK has done an objective reporting job on postal rates, and has dealt with the subject far more fairly than most publications. Many of them ignore the subject entirely and others either misquote the facts and figures, or by the omission of some pertinent facts mislead their readers so that business mail users have the impression that the newspapers and magazines are interested only in protecting their subsidized second-class rates. . . .

But your recent article on parcel post [BW—Oct. 16'48, p21] does not tell the full story about parcel post. What makes the parcel post users hot

# **Chicago's Wealth of Educational Facilities provides Unlimited Opportunities plus Vast Technological Resources for Industry**

*Among the outstanding educational resources of Chicago are:*

- Great Concentration of Colleges and Universities
- University Laboratories for Research and Industrial Problems
- Thorough Technical Training in Colleges and Secondary Schools
- Highly Developed Vocational Training in the Public Schools
- Abundant Practical Training in the Evening Schools
- Industry-Sponsored Educational Programs
- A University Seminar for Business Executives
- Outstanding Professional Training at University Level
- Business Training of Highest Calibre at University Level
- Industrial and Scientific Libraries and Museums of World Renown

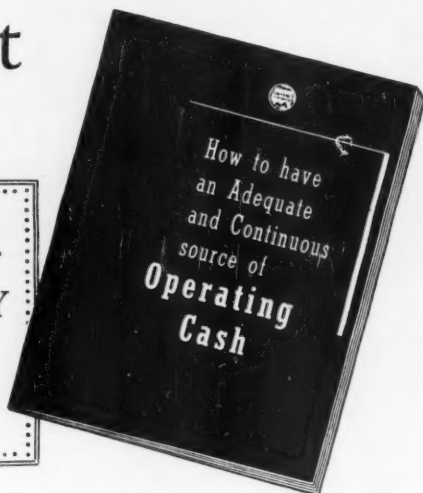
*This is one of a series of advertisements on subjects vital to industry and its employees. For further information on the advantages to industry offered by Chicago's great educational facilities, write:*

**TERRITORIAL INFORMATION DEPARTMENT**

Marquette Building—140 South Dearborn Street, Chicago 3, Illinois—Phone RAndolph 6-1617

**COMMONWEALTH EDISON COMPANY • PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS  
WESTERN UNITED GAS AND ELECTRIC COMPANY • ILLINOIS NORTHERN UTILITIES COMPANY**

# What to do in a Tightening Money Market



**I**N THE YEAR AHEAD, will operating cash be your Number One problem? Can high costs, high selling prices, and continued slowing down of collections limit your volume ... possibly below the break-even point?

If so, you should read our timely new book, just off the press. It explains how you can get the funds needed for efficient and profitable operation.

You may discover that under our Commercial Financing Plan you can get *double or triple* the amount of money available under commercial time loans. You will read how money is available under a *continuing arrangement* that frees you from renewals,

calls and periodic cleanups of loans ... enables you to plan ahead intelligently despite a tightening money market.

"HOW TO HAVE AN ADEQUATE AND CONTINUING SOURCE OF OPERATING CASH" shows you why manufacturers and wholesalers are finding this plan sound, advantageous and economical ... why they used more than a quarter of a billion dollars under our Commercial Financing Plan last year.

Write or telephone the nearest Commercial Credit Corporation office listed below for your copy of this timely book. There is no obligation.

**COMMERCIAL FINANCING DIVISIONS:** Baltimore 2 ■ New York 17 ■ Chicago 6  
Los Angeles 14 ■ San Francisco 6 ■ Portland 5, Ore... and other offices in more than  
300 cities of the United States and Canada.



under the collar is that whenever the subject of postal deficits comes up, everybody seems to single out parcel post (fourth class), thus giving the impression that this operation is mainly or entirely responsible for the postal deficit. Such, of course, is not the case.

For the fiscal year ended June 30, 1947, three classes of mail and the special services were responsible for a total deficit of \$343-million:

(All Amounts in Millions)

	Costs	Revenues	Deficit	% to Total Deficit
Second class...	\$187	\$39	\$148	43%
Third class...	170	96	74	22%
Fourth class...	284	244	51	15%
Other services*	173	103	70	20%
Totals....	\$814	\$471	\$343	100%

\* Including special delivery, money orders, postal notes, insured mail, registered mail, C.O.D.

Factually, fourth class (parcel post) is responsible for the lowest dollar amount of deficit and has the lowest percentage distribution, as shown above.

In revenue producing, the rankings are:

**1947 Postal Revenues**  
(All Amounts in Millions)

	Revenues	% to Total	Position Rating
First class .....	\$627	57.1%	1
Second class....	39	3.6	5
Third class....	96	8.7	4
Fourth class....	233	21.2	2
Special services.	103	9.4	3
Total.....	\$1,098	100%	

In the four years from 1944 to 1947 inclusive, the total deficits of the postal service amounted to \$918,160,000, of which second-class mail (newspapers and magazines) was responsible for \$493,950,000, or 54%. Considering the fact that second-class rates, especially on the advertising sections, are the same today as they were in 1934, surely there is some justification in view of increased wages, material, and transportation costs, for increasing second-class rates. Such an increase would help to reduce the postal deficit, which is the chief current postal problem.

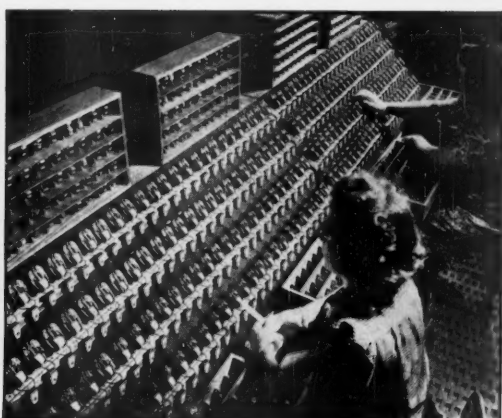
We believe that the position of second class in regard to its rate is untenable. However, our quarrel is not with second class; what we are quarreling about is the discrimination and the favorable treatment accorded second class and the unfair treatment accorded third and fourth class and the special services. If the government is going to subsidize rates, and if second-class rates are to be subsidized, then we of course expect the same subsidies. We see no reason why one class of mail should be favored against other classes.

HOMER J. BUCKLEY  
HOMER J. BUCKLEY & ASSOCIATES, INC.,  
CHICAGO, ILL.

# CITIES



**HEAVY INDUSTRY** like this drilling department at the machine-tool factory of the Bullard Co., and . . .



**LIGHT INDUSTRY** like this electric shaver assembly line at Remington Rand in Bridgeport, add up to . . .

## More Diversity, Less Adversity

Bridgeport, Conn., has so many different kinds of industry that it is prosperous even if employment slacks off.

Unlike the merchants in many another city, most of those in Bridgeport, Conn., had a good Christmas. In December, the city's leading department stores did a record business both in units sold and dollar volume. When the figures were all in last week, they showed that sales averaged 4% over the record-smashing 1947 Christmas season.

• **Growing Unemployment**—All this happened despite growing unemployment. By mid-November, the number of job-seekers in Bridgeport had risen to 5,100—a jump of 2,200 in a year's time.

But these threatening signs hadn't really worried anybody very much. Bridgeport seemed to be well-cushioned. With its wide diversification of industry, the city figured that it could withstand any recession—or perhaps even a sharper decline—more readily than most other industrial centers. So, barring a few exceptions, confidence over the area's continuing stability ran high.

• **Diversity**—The explanation for this is simple to any hedging gambler: The city and its environs have many different industries making many different products. Thus, a slackening of activity in a few spots has little impact on the broad economic outlook.

Lying about 55 miles northeast of New York City at the edge of Long Island Sound, Bridgeport is close to big eastern markets. Easy accessibility via

roads, rails, water, and air has made it number nine among the nation's industrial areas—though it is only 59th in population.

• **Second City**—The Bridgeport area (including Fairfield, Easton, Trumbull, and Stratford) has a population of about 250,000. Within the Bridgeport city limits live 175,000, making it second in size only to Hartford among Connecticut's cities.

The growth of the city in the 1940s is clearly reflected in income and retail sales. Average family income in 1940 was estimated at \$3,344, net income at \$130-million, and retail sales at \$73.6-million. By the end of 1947, the figures had jumped to \$5,936 for family income, \$291.4-million net after taxes and \$190.6-million in retail sales.

• **Under Socialism**—Ironically, this large industrial area, one of the strongholds of American manufacturing, is administered by a Socialist mayor. Jasper Mac Levy was elected mayor in 1933, after the previous party machines had run the city into bankruptcy.

But he has been less interested in gestures to socialism than in putting the city back on firm financial ground. The utilities are still privately owned; in fact, Bridgeport is one of the few large U. S. cities in which the water utility is owned and operated privately.

• **War and Peace**—This industrial capital of Connecticut began as a shipping

port with 3,000 residents in 1836. Early settlers also supported themselves largely by farming. But the favorable geographical location soon prompted the switch from shipping and agriculture to manufacturing. The Bridgeport industrial area was to World War I what huge West Coast aircraft centers and Detroit were in World War II.

During the last war, too, Bridgeport played a prominent role. It won more Army and Navy "E" banners per capita than any other American city. The reason is, despite its relatively small population, the area has more than 500 different industrial plants. Each plant is capable of making an important contribution to either a wartime or a peacetime economy.

• **Variety**—The list of products under the heading "Made in Bridgeport" is vast. It includes almost every kind of manufactured item from metal castings and machine tools to corsets and phonograph records. Nearly all of these things have to be made all year round, so there's little seasonal slack. The only kind of plant Bridgeport seems to lack at present is an integrated steel mill.

Most of the plants are small; more than 90% of them employ less than 500. The big ones are big, just the same: General Electric employs 8,000, Bridgeport Brass has about 5,000. And there are several in the 1,000-2,000 class.

• **Shifts**—During the war, the manufacturing population hit a peak of 114,000, but that slumped off to 50,000 soon after V-J Day. It climbed again to 75,000 by October, 1947, has since dipped



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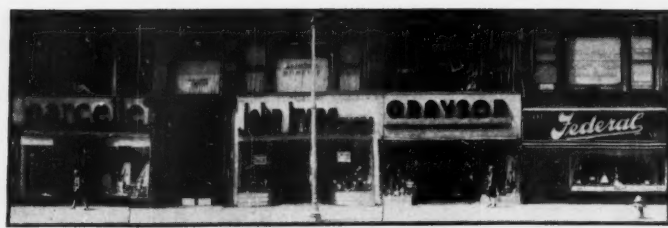
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PRESENT store fronts in Bridgeport's business district are shabby, but . . .



FUTURE store fronts, as shown in architect's drawings, will look like this

back to between 66,000 and 67,000. The chief reason for the recent drop has been the gradual closing of the Chance-Vought Aircraft Co. plant at Stratford (BW—Aug. 14'48, p24). But even with this, Bridgeport is far above its 1940 manufacturing total of 43,000.

Nearly everyone among Bridgeport industrialists believes the city is pretty safe—with Chance-Vought pulling stakes. One reason is that at the moment the chamber of commerce, headed by active and aggressive officers, has requests for 1.3-million sq. ft. of space from companies not yet in the area. The big job is trying to find facilities of the type needed by these new firms.

• **Faith**—The great faith in the future of Greater Bridgeport shows up in expansions and renovations planned by two public utilities—Bridgeport Gas Light Co. and United Illuminating Co. Another straw in the wind is the decision of two experienced department-store executives to buy the D. M. Read Co. Sidney Reisman, former vice-president of Bloomingdale's (New York City) and Milton Mandelson, formerly with Ware's (New Rochelle, N. Y.) acquired the store less than six months ago. Their pre-purchase investigation showed the city to be stable, with potentialities for growth.

• **Expansion**—Altogether, Bridgeport industries have spent more than \$25-million in wartime and postwar modernization. Largest expansions have been those of Singer Manufacturing Co., Columbia Records, Inc., Manning, Maxwell & Moore, Inc., Buckley Bros., Southern New England Telephone Co.

There has been expansion also among the stores, especially along Main St. Woolworth has a new streamlined store, consolidating and surpassing two former

ones. Walgren has come to town. The Howland Dry Goods Co. is putting on a new face and adding a new building. Read's, under its new ownership, is redecorating and spreading. The H. L. Green Co., a dollar-ceiling store, has moved to larger quarters.

• **New Look**—The downtown "new look" is part of a gradual plan to modernize all of Main St. Sergeant Eaton, head of Howland's and treasurer of the Bridgeport chamber of commerce, is father of this program.

At his request, Bridgeport architects, without charge, drew a master plan for the renovation. The merchants who have followed through have hired the architects at customary fees to design and supervise their face liftings in accord with the big plan.

• **Who Is Responsible?**—Explaining Bridgeport's success in getting diversified industry is like explaining the chicken-and-egg riddle. Some say that companies found it practical to settle there because it is accessible and has a large supply of skilled labor.

Others contend that the skilled labor pool gathered there because of the demand for qualified craftsmen. The chamber of commerce believes it is largely responsible—now at least, if not at the beginning.

Even the manufacturers themselves have been infected by the diversification bug. Bridgeport Brass Co., probably the largest locally-run industry, is no longer limiting itself to brass products. It has set up a large research laboratory since the war's end to turn up new products. This is part of a planned program on the part of Herman W. Steinkraus, the company's president and board chairman, to build the product end of the business. "The Brass Company" as it is called, has

put \$10-million into postwar growth. Its new products include the aerosol bomb for use in repelling insects and "Good Aire," an aerosol-type deodorant recently placed on the market. Steinkraus hopes that these aerosol products will boost the company's employment rolls by another 1,000 in a few years.

• **Cosmopolitan Community**—The community itself has no single character. It is almost as diversified as its numerous industries. More than 30 language groups cling to European habits and idiom. And they live as little groups among themselves. Italian, Irish, Polish, and Hungarian are the dominant groups. There are Ukrainians, Russo-Carpathians, Scandinavians, and others.

But the underlying common element in all this is perhaps provided by the leadership group. This is a cross between the New England spirit of staying put and approaching problems with a conservative attitude, and the New York facility for restlessness, aggressiveness, and adventure.

• **Transportation**—Present plans at the local airport, include two regular week-day flights by DC-4s which move freight North, South, and Midwest in a few hours' time. In addition, the New York, New Haven & Hartford R. R., which serves Bridgeport with its main line, maintains two large freight yards in the city. More than 85 trucking companies ply between Bridgeport's 25 truck terminals and cities along the Atlantic coastline, and as far West as Chicago.

Years ago, the harbor played a larger role in community life than now. But that is being changed again, too. A hard campaign was begun in 1945 to deepen the channel to 30 ft. at low tide. Now an appropriation is being sought from the Army Engineers to dig another five ft. to accommodate the largest tankers. This will make possible the movement of lumber and oil to the area by water, thus bringing a great saving in transportation costs.

• **Absentee Ownership**—The fly in the ointment in Bridgeport is absentee ownership. Mayor MacLevy is well aware of the dent put into the local economy by Chance-Vought's departure. He fears that other absentee-owned plants can move away with just as little ado. Since the war, General Electric has pulled out its electronics division and dropped some of its employment. But company officials say that it would be uneconomic for the company to cut its Bridgeport operation heavily: They believe the company's employment there will hover around 8,000.

Still, the spectre of mass removals gives the more sensitive members of the community the shivers. If one or more of the big plants were to find it advisable to leave Bridgeport, the effect would be catastrophic. Until such time, there is little worry.



**THE NEW BRITAIN MACHINE COMPANY**  
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*Cleveland, Ohio*

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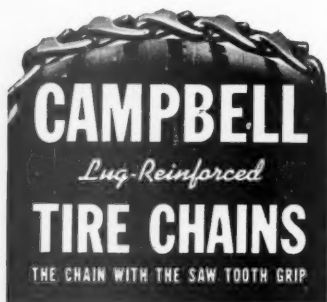
**LUCAS  
OF  
CLEVELAND**

# THE SPIKES *Dig In* FOR *Better Traction*

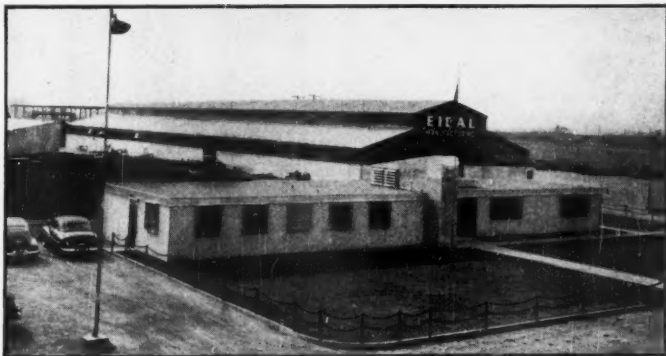


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HEAVY LOGGING TRAILER and similar equipment are coming out of the new . . .



ALBUQUERQUE PLANT of the Eidal Mfg. Co. The Southwest is proud of this . . .

## New Industry for New Mexico

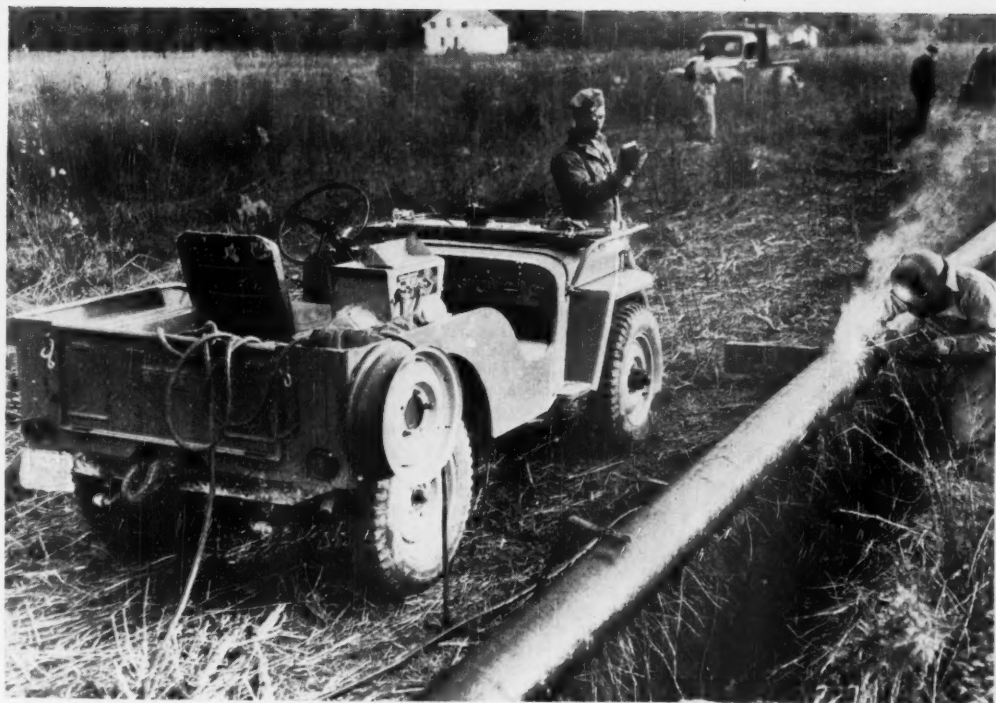
Roy M. Eidal left the Northwest, built a \$1-million annual business in the Southwest. He found that its climate, low costs, other advantages favor industry.

Roy M. Eidal has handed the Albuquerque Chamber of Commerce a ready-made sales talk.

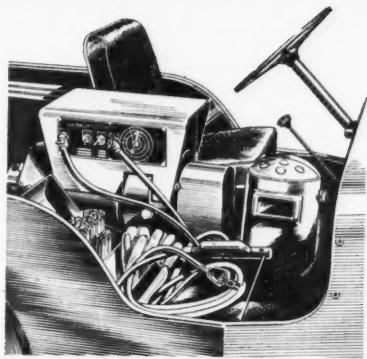
• **Heavy Equipment**—His successful young Eidal Mfg. Co. dramatizes the possibilities for industrial expansion in the wide-open New Mexican spaces. That pleases the state's boosters, who want to end New Mexico's dependence on livestock, metal mining, Indian jewelry, and tourists. New Mexican manufacturers that ship anything except Indian goods outside the state are pretty rare today.

From Eidal's new 600-ft. factory flows a variety of heavy products—heavy logging trailers, a machine for spraying weeds and cattle, an assortment of running gear for special-duty trailers. The company's markets extend all the way to U.S. oil companies and contractors in Saudi Arabia, for which it makes 120-passenger semitrailer buses; air-conditioned, three-trailer caravans; pipe dollies for moving 31-in. steel pipe.

• **Why New Mexico?**—Founder Roy Eidal came to New Mexico in 1943. He had learned about trailers at Seattle's



## NEW WORK TEAM-'JEEP' AND 'GE' WELDER



**GENERAL ELECTRIC ARC WELDERS** for the Universal 'Jeep' and 'Jeep' Truck are made in two capacities:

200 amperes DC; electrode sizes 1/16" to 3/16" (1/4" for occasional jobs); current range minutely adjustable from 30 to 250 amps. DC.

300 amperes DC; electrode sizes 1/16" to 1/4" (5/16" for occasional jobs); current range minutely adjustable from 45 to 440 amps. DC.

Both are precision-built units for high-quality, fast-welding performance.

A mobile welding unit that gets to jobs *anywhere*, that powers itself and delivers "shop quality" in the field—that's the Universal 'Jeep' with a General Electric Arc Welder.

With 4-wheel-drive traction and high maneuverability, the 'Jeep' reaches locations too tough for ordinary vehicles, taking mud, sand, snow and steep grades in its stride.

The generator is powered by V-belt drive from the 'Jeep' Engine, assuring steady, efficient operation and a saving on initial and maintenance costs.

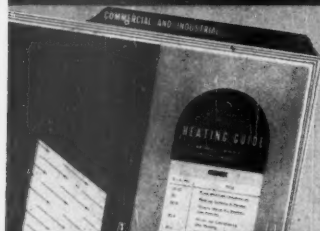
If you need larger load space, the General Electric Arc Welder can also be installed in and powered by the 'Jeep' 4-wheel-drive Truck.

Get the full story of this self-propelled, self-powered welder from any Willys-Overland dealer.

**4-WHEEL-DRIVE  
UNIVERSAL Jeep'**

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Isaacson Iron Works, set up his own company there in 1937 with patents on a spring mounting feature. He got his capital for the Albuquerque move by selling his Seattle company to Fruehauf Trailer Co.

This raises the question that interests the Southwest's boosters: What induced Eidal to set up shop in New Mexico?

In part, his decision was due to war-time manpower shortages in industrial areas. He found that Albuquerque offered a plentiful supply of skilled, non-migratory labor. But he also had other long-range reasons for making the move. The major ones: (1) low-cost land and buildings; (2) favorable tax and insurance rates; (3) a mild climate fit for out-of-doors work the whole year; (4) the eagerness of Albuquerque—a health and distribution center—for industrial pay-rolls; (5) nearness to the Los Angeles and Houston ports.

• **Imaginative Design**—In two years, Eidal and employees churned up orders for \$7-million worth of heavy-duty trailers for the military. To fill the gap left by cancellation of war orders, Eidal broadened his line of custom-built trailers to include the Weed-O-Matic spraying machine. And with the oil rush to the Middle East, he found increasing demand for the imagination his staff can apply to desert transport problems.

The New Mexican move paid off: Eidal's sales for 1948 hit more than \$1-million; his employment rolls reached 250. Eidal is the only manufacturer in Albuquerque employing more than 30 people. And except for hand-woven textiles and other Indian goods, Eidal's are the only products made in Albuquerque for the outside market.

Still in various stages of development are a new type of disc plow; a 300-ton carrier for a deep-well drilling rig; and a house trailer that expands, accordion-like, to a four-room dwelling of 700 sq. ft. off the road.

• **Desert Caravan**—Eidal's three-trailer caravan is a \$70,000 job that makes desert life tolerable for geologists and technicians. The utility trailer has two diesel generators. The kitchen trailer has hotel cooking facilities; stainless steel refrigerators; dishwashing equipment and cupboards; refrigerated commissary space; a hot water heater. The office trailer is equipped with drafting tables, desks, shower baths.

The 300-ton carrier for a drilling and draw-works unit, now in production, eliminates dismantling and reassembling a drilling rig when moving from one site to another. Eidal estimates that this can cut the cost of moving from around \$40,000 to \$6,000, and reduce moving time from 30 days to four.

• **Phoenix Foundry**—To insure a dependable supply of castings, Eidal owns controlling interest in the Arizona Iron



**AIRMINDED** Roy Eidal keeps in touch with his far-flung customers by private plane

Works in Phoenix. It is the only electric steel foundry in Arizona, and produces gray-iron castings. It does a substantial business with the copper mining industry of the Southwest. Eidal's interest in the foundry is another talking point for the chambers of commerce.

• **His Own Salesman**—In the initial stages, Roy Eidal has been his own salesman. With a twin-engine plane for rapid movement (picture), he keeps in close touch with oil companies, logging companies, contractors, and general cargo haulers around the country.

## BUILDING LOCAL INDUSTRY

Here's a tip from the University of Wisconsin to communities that are anxious to create new employment: If you're having trouble luring in outside industry, don't be discouraged. There are other ways to do the job.

In its latest bulletin, the university's Bureau of Community Development tells what some of them are. Your community can accomplish the same end by extending cooperation to existing industries, encouraging the "local development of an industry to meet local needs," or aiding local craftsmen.

But first the community must know the basic facts. That's why the bureau has published its "Suggestions for Appraising the Industrial Potential of the Smaller Community." It tells planners what questions to ask, what facts they must know. On the basis of these data the community can decide what kind of industry will fit its needs and resources. The bulletin likewise tells how to appraise a small manufacturing business.

## Belfast Rebellion

Despite concessions, shoe company pulls out of small Maine town because it asked another firm in.

For 18 years Daly Bros., maker of men's shoes, had been to the little town of Belfast, Me. (pop.: 6,000) what autos are to Detroit. The company paid 334 workers \$600,000 a year—a lot for a community which otherwise picks up work where it can.

• **Appreciation**—So Daly had meant a lot to Belfast. To show its appreciation, the town gave the company its plant rent-free, paid the insurance. Up to World War II, the town maintained the building. Moreover, the tax collector had been soft: He assessed Daly's equipment at \$40,000. Officially that was regarded as generously, if not fantastically low.

But there had not been enough jobs at Daly Bros. to stop unemployment from rising. The town worked hard to do something about it, finally persuaded Belgrade Shoe Co. to send in a subsidiary plant. The condition: The people of Belfast would have to raise \$70,000 to house the new industry—a maker of women's shoes. The townspeople, fearful of rising unemployment, agreed; it meant from 250 to 300 more jobs.

• **The Blow Strikes**—Then the blow struck. Daly Bros. announced that since the town had asked another shoe company to come in, it would pull out and close its plant. Reason: not enough skilled workers to go around.

James A. Collins, Daly's manager, said that the company had plants at Harrisburg, Pa., and Marion, Ind. He had planned to move the Marion plant to Belfast, thereby boosting local production 50%. Now plans were changed: The Belfast plant would go to Marion.

• **Plea**—Belfast civic leaders were stunned. They pleaded with Daly to change its mind. They took issue with Daly's argument that there wouldn't be enough skilled workers to go around. If that were true, they said, Belgrade would hardly have wanted to move in. And Daly would not have decided to bring its Marion plant to Belfast.

All the pleas were in vain. Last week the last of Daly's Belfast workers were scheduled to be off the payrolls and the factory moved to Marion. Before Belgrade Shoe Co. could bring back similar prosperity, the town would have to finish raising the \$70,000 for the plant, and build it. Meanwhile, it would have to get along as best it could by packing sardines; making door frames, crating, and other wood products; and fabricating imitation leather.

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in mild steel  
or stainless steel*

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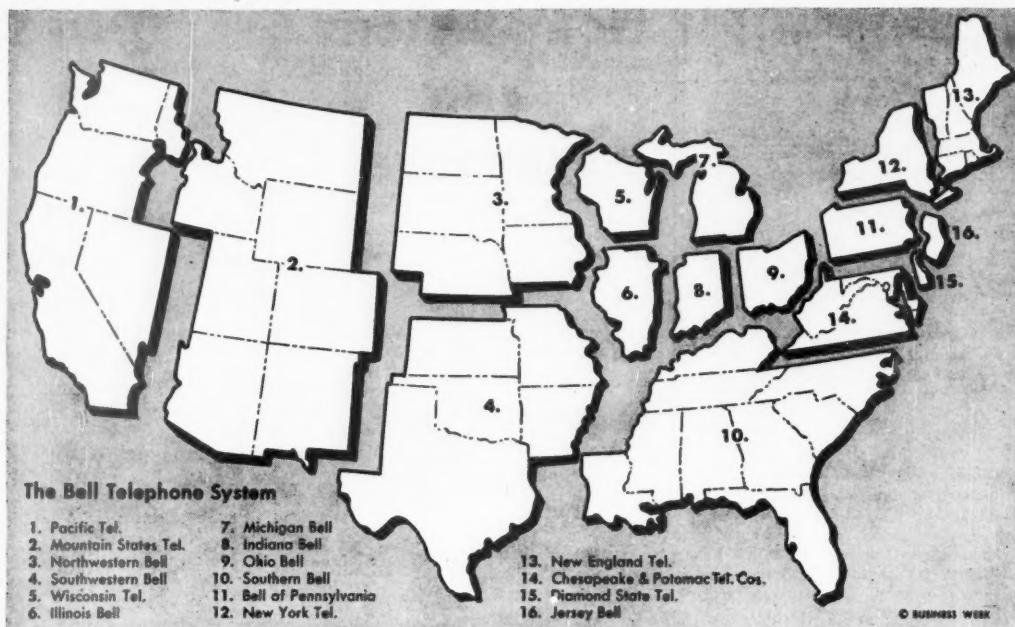


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## Bell Systems' Earnings Are Up, But—

All's not clear sailing ahead. This year's take will probably cover the \$9 dividend. But operating, expansion costs cut deep.

The Bell System appears to have de-toured a road block.

ON A SYSTEM BASIS, it now looks as though American Telephone & Telegraph Co. covered its traditional \$9-a-share dividend in 1948, with \$1 to spare. That's in line with earlier predictions (BW—Jun. 12'48, p88).

ON A COMPANY BASIS, the \$9.8-billion giant—the world's largest nonfinancial, nongovernment commercial enterprise—also appears to have achieved at least bare coverage of its 1948 payments to stockholders.

This showing may not sound like anything much to write home about. Nevertheless, it makes good reading for A.T.&T.'s 760,000-plus stockholders. On both points, the score is better than last year's.

• **Better Picture**—A.T.&T. has never slipped on its \$9 payment since it began paying that much over a quarter of a century ago. But in 1947, system earn-

ings applicable to Mother Bell's out-standing stock added up to only \$7.66 a share; they fell some \$28-million short of the amount needed to meet the full dividend. On a company basis, such earnings came to only \$156.3-million (\$7.43 a share), compared with the \$189.3-million actually paid to A.T.&T. stockholders during the year.

• **Reasons**—Main factors in the improved 1948 picture:

(1) The costly strikes of 1947 were absent.

(2) Substantial rate increases were won by many of the system's operating subsidiaries (map) during 1947. Since the fall of 1946, rising costs have forced the subsidiaries to ask for hikes in their intrastate rates in every state of the union but Nevada and the District of Columbia. As a result, by last year, these rates had risen an average of about 14%.

(3) Postwar demand for telephone service has kept on at its record-breaking rate. More than 2.8-million new phones

were added to the Bell System network in 1948. At the year end, over 31.3-million were in operation. That's some 43% more than were in use when the war ended, 11% more than at 1947 year end. More phones meant about 1-million more daily local and long-distance calls in 1948 than in 1947; last year's average was around 167.3-million. And it's 51-million more than the war's-end average.

• **More Gains Ahead?**—Those last two items may be good for more gains. Applications for additional rate increases—some representing second, even third-round, requests—are still pending in 29 states. If they are all granted, they could hike revenues by 22% on the average, instead of the 14% already gained. And the public's appetite for telephone service is still unsatisfied. There's still a waiting list of some 1.2-million—no very big drop from the 1.5-million of just a year ago. Requests for new phones amount to around 225,000 monthly.

• **The Big But**—There's a prickly hedge encircling most corporate progress nowadays. Mother Bell is no exception. Before A.T.&T. sees a clear road ahead,



Soya Products Division of Glidden,  
Chicago—America's vast center of  
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**ALBUSOY® (Soya Albumin)**—A water-soluble, proteinaceous, non-coagulating material used as a whipping and foaming agent in confectionery goods and other products.

**F. D. C. CERTIFIED FOOD COLORS**—Pure, soluble, uniform, concentrated Food Colors.

**GLIDDENOL**—A special soybean derivative having unusual emulsifying, viscosity-controlling, anti-oxidant, wetting and dispersing properties; used in baked goods, confectionery goods, processed food products, vegetable fats and oils and many other products.

**GLIDDOL**—Special soybean derivative for the petroleum industry, used in lubricating oils and motor fuels.

### INDUSTRIAL SOYA PROTEINS

**ALPHA\* PROTEIN**—Pure, isolated soya protein used in making paper, paint, rubber, floor coverings, leather, fire-fighting foam and other products. **PROSEIN®**—A mechanically refined protein product used as an adhesive or binder in making paper, paint, floor coverings, insulating board and other products. **SPRAYSOY**—A special soybean product for use as a sticker and spreader in agricultural spray materials. **MULSOYA**—A water-soluble derivative of isolated soybean protein for textile sizing and for stabilizing emulsions.

**SPECIAL SOYBEAN OIL MEAL AND FLAKES**—For use in soybean adhesives.

**PROSIZE**—A superior process for sizing paper, utilizing Glidden Alpha\* Protein.

### STERIOD HORMONES

**GLIDDEN TESTOSTERONE (Crystalline)**—Principal male sex hormone, synthesized from soya stigmasterol, and used for replacement therapy of endocrine deficiencies. **GLIDDEN PROGESTERONE (Crystalline) U.S.P.**—An important female sex hormone synthesized from soya stigmasterol.

**GLIDSAD**—A soya sitosterol intermediate, sitosteryl acetate dibromide, for pharmaceutical use.

**GLIDDEN PURE SOYA PHOSPHATIDES (Oil Free)**—For pharmaceutical use and many industrial applications.

**GLIDNOFOAM**—A specially prepared anti-foam agent.

Glidden also produces 44% Protein Soybean Oil Meal and 41% Protein Soybean Oil Meal for use in formula feed manufacture; 30% Protein Extracted Soybean Feed for use as feed ingredient; and Crude Degummed Soybean Oils—extracted and expeller process.

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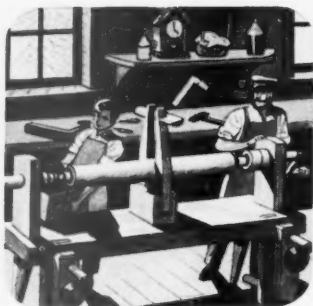
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In all of the following fields, Glidden leadership in research is proving invaluable to industry. Your inquiry is invited.  
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In Canada, The Glidden Company Ltd., Toronto.

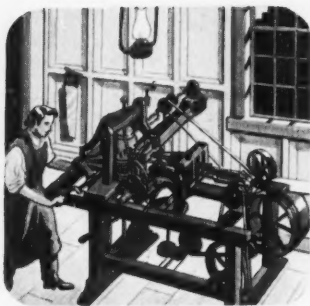


**Principal Glidden Products—Foods:** Durkee's Famous Dressing; Durkee's Margarine; Durkee's Mayonnaise; Durkee's Salad Dressing; Durkee's Shortening; Durkee's Shred Coconut; Durkee's Spices and Worcestershire Sauce; Special Ingredients for Bakeries and Confectioners • **Soybean Products:** Alpha\* Protein; Prosein\*; Fine Chemicals; Glidden Lecithin; Soya Flour and Grits; Albusoy\*; Soybean Meal and Flakes • **Feeds:** Poultry and Livestock • **Paints:** SPRED-Flat; SPRED-Luster; Japalac; Ripolin Enamel; Spray-Dry-Lite; Endurance House Paint; Gliddenspar Varnish; Nubelite; Industrial Paints; Industrial Lacquers; Enamels and Varnishes; Glidair Aviation Finishes • **Vegetable Oils:** Soybean Oils; Coconut Oils; Cottonseed Oils; Peanut Oils; Corn Oils; Palm Oils; Linseed Oil • **Chemicals and Pigments:** Titanium Dioxide; Lithopons; Cadmium Colors; Litharge; Red Lead; Euston White Lead; Cuprous Oxide; Zinc Sulphate Crystals • **Metals and Minerals:** Powdered Iron, Copper and Lead; Glidden Type Metal • **Naval Stores:** Tars and Resins; Turpentine; Solvents; Synthetic Rubber Compounds; Compounds for Plastics. \*Trademark Registered

© 1949, The Glidden Company



**1 1827**—Early machine tools were a result of shop owner and mechanic tinkering around, trying to step up output. They were hand built, crude, and no two machines were alike, since measurements were not yet standardized.



**2 1855**—Gradually, methods and techniques became more uniform, more exacting. Machine tools developed for one industry were tried successfully in others. But the real power behind machine tools, low-cost electricity, was still to come.



**3 1915**—Howell "Red Band" Electric Motors appeared. Applied to lathes, grinders, cutters, shapers and other machine tools, these rugged, industrial-type motors soon won wide acclaim for making good on hard jobs.

## THEN, AMERICA TOOLED-UP!



**4 Today**—Machine tools, operated by skilled workers, help put more goods in the hands of more people, at less cost!

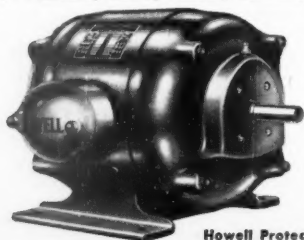
America is really tooled-up! And Howell Motors have helped. In thousands of shops, they are recognized as tops for the tough jobs.

These dependable precision-built motors are also an important source of power for pumps, fans, conveyors and other vital industrial equipment.

Are you using Howell Motors?

Free enterprise encourages mass production, supplies more jobs—provides more goods for more people at less cost.

Here's another precision-built Howell Motor . . . industrial type with copper or bronze bar rotors . . . specially insulated . . . statically and dynamically balanced.



Howell Protected Type Motor

## HOWELL MOTORS

HOWELL ELECTRIC MOTORS CO., HOWELL, MICH.

Manufacturers of Quality Industrial Type Motors Since 1915

it will have to prune out some pretty tough brambles.

It's interesting to note that holders of A.T.&T.'s outstanding "common stock"—the best-known blue-chip security in financial history, aren't exactly cheering in the bleachers. Last week these shares dropped back to as low as \$149.50; this is only a bit above the five-year low of \$147.87 that they registered earlier in the year.

• **Costs Climb**—The Bell System's No. 1 hazard is fast-rising operating costs. These were substantially higher in 1948 than in 1947.

Biggest contributing factor is the mounting wage bill. Operating payrolls are running at over \$1.5-billion annually; in 1939, they were only \$417-million. In 1939, wages took only 37¢ of each revenue dollar; today, Wall Street estimates, more than half of all receipts wind up in the pay envelope.

Materials costs have helped push up operating expenses. Average price of six items that the system uses have increased about 170% since 1939.

• **Hard to Beat**—Wage costs are going to be particularly hard to shave or even to stabilize, as long as the business continues to boom. Bell workers are strongly organized now, as they weren't in prewar days. And lately they have shown signs of tightening their lines for new wage demands this spring.

• **Success at W. E.**—Bell System officials haven't been lying down on the cost problem. At some spots, they have been successful. Western Electric Co., the system's manufacturing end, is a case in point.

Western Electric operated at high levels all through 1948. Nevertheless, it was able to cut its working force from 130,709 at the close of 1947 to 106,115 on Nov. 30, 1948.

Just after the war, W. E. had to manufacture considerable quantities of manual equipment, a line it hadn't engaged in for many years. Now the em-

phasis is back on dial equipment. Cutbacks in training schools and centralization of various operations in new, more efficient plants have also helped.

• **Possible Solution**—Pending rate-increase applications might solve the cost problem. Bell operating companies have received increases approximating \$170-million a year since the war. Applications pending would bring in further yearly increases of \$250-million, if they are granted. It's quite possible that some substantial hikes will result.

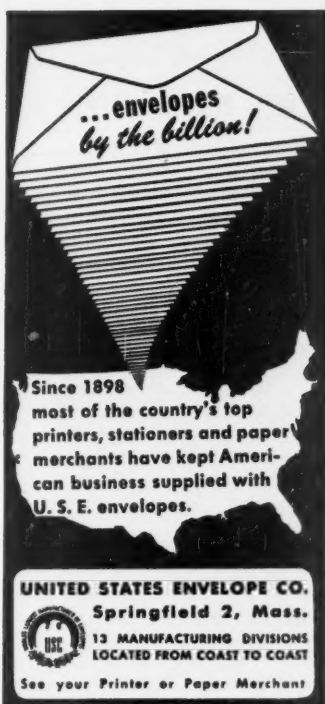
But it doesn't do to count too heavily on higher rates. Regulatory bodies have shown some stiffening opposition to further rate hikes particularly in cases where they have already granted boosts.

• **Expensive Expansion**—Still another heavy load the Bell System has been carrying is its postwar expansion program—the largest in corporate annals. To put it over, the system has already had to spend \$3-billion, raise some \$2.7-billion of new capital. Last year alone, when it spent about \$1.5-billion on new construction, it sold \$1-billion of new securities to the public.

The system hasn't been able to finance as much of its expansion through the sale of stock as it would like—thanks to the poor shape of the new equity-issue market.

• **Convertible Bonds**—While it has sold a number of bond issues, it has made some of these convertible into stock at attractive prices. And conversion of these bonds into stock has been heavy. As a result, it's likely that the amount of A.T.&T.'s own outstanding funded debt at the close of 1948 was actually less than at the 1947 year-end—despite the sale of a substantial amount of new funded debt during the year.

Obviously, such conversions improve Mother Bell's own fiscal position considerably. The company has simply swapped funded debt that it would some day have had to retire in cash for stock that never has to be paid off. The con-



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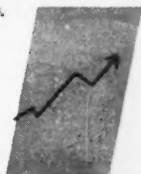
## Bell System: Everything Way Up—But Profits

(In Millions)

Year	Total Operating Revenues	Taxes	Int. & Amort.	Net Profit	Dividends <sup>(2)</sup>	Stock & Funded Debt <sup>(3)</sup>	Telephone Plant (Net)
1939 ...	\$1,107	\$156	\$43	\$190	\$168	\$2,993	\$3,271
1940 ...	1,174	185	42	210	168	3,127	3,373
1941 ...	1,299	231	49	192	168	3,360	3,590
1942 ...	1,469	339	51	160	168	3,396	3,718
1943 ...	1,648	403	52	178	168	3,396	3,653
1944 ...	1,770	456	48	170	172	3,389	3,613
1945 ...	1,931	400	46	177	178	3,392	3,629
1945 ...	2,094	257	42	209	183	3,929	4,051
1947 ...	2,225	246	63	161	189	5,033	4,952
1948 <sup>(4)</sup> ...	1,937	221	66	170	151	5,769 <sup>(5)</sup>	5,794

(<sup>(1)</sup>) Earnings applicable to A. T. & T. stock. (<sup>(2)</sup>) A. T. & T. dividend payments. (<sup>(3)</sup>) A. T. & T. stock and funded debt; subsidiaries' funded debt; and subsidiary capital stock not owned within the Bell System. (<sup>(4)</sup>) January-September operating results; plant valuation as of Sept. 30, 1948. (<sup>(5)</sup>) Sept. 30, 1948, total plus \$275-million of bonds sold subsequently by A. T. & T. and subsidiaries.

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versions also bring in additional new capital: To turn each \$1,000 convertible bond into 10 shares of stock, holders are required to put up an additional \$400 or \$500 cash, depending on the issue held.

• **Additional Cost**—As long, however, as the \$9 yearly dividend rate is considered by the management to constitute virtually an inviolable contract, such conversions actually increase Mother Bell's "new-capital costs," at least for a time. Here's why:

For the \$1,000 of new capital supplied by the purchaser of one of the convertible bonds in question, Mother Bell pays as rent only \$27.50 annually. When these are converted, the \$9 annual dividend rate ups this charge to \$90 a year on the \$1,400 or \$1,500 of new capital then represented. In other words, for those who convert their bonds, the return on their investment in Mother Bell has been upped from only 2.75% to at least 6% and A.T.&T. has to bear the cost of that increase.

• **Heavier and Heavier**—Due to its huge amount of financing, the Bell System's fixed-charge and dividend load has been kiting madly lately (box, page 81). By last September, interest requirements were running at an \$88-million annual rate, compared with only \$43-million in 1939. And yearly dividend requirements had risen to \$201-million from only \$168-million.

That could well prove a somewhat heavy load for even the Bell System to carry if today's high business levels should dip even moderately. And the system's expansion program is far from ended. It will take up to \$2-billion of additional new capital in the next few years to finish the job.

## Will Hughes Sell?

Howard Hughes showed an interest in Dillon, Read's offer for the Hughes Tool Co. It could still go through.

Those rumors about Howard Hughes selling the Hughes Tool Co. weren't too far off after all.

The colorful Hollywood multimillionaire partly confirmed them in a letter, released this week, to the employees of his Houston company, which makes oil-well drilling equipment. True, said Hughes, he has had extensive negotiations with a group headed by Wall Street's Dillon, Read & Co. But no longer: The negotiations had recently "been cancelled and called off."

• **What Next?**—But the question is, Does Hughes mean it?

Just before Hughes sent out his communication, Noah Dietrich, Hughes

Tool vice-president, also gave out some information. He announced that such a deal had been called off "by mutual consent." But—and here is where the two texts differ—he said that negotiations would be continued after the first of the year.

• **Conditions**—According to Hughes, Dillon, Read first sounded him out on the deal early last year. But he hadn't wanted to sell "under any circumstances or for any price" unless the new owners would leave the present organization and personnel intact.

The Manhattan underwriting house then proposed the formation of a new corporation which would acquire the property from him. It was to be owned 45% by Dillon, Read; 10% by "some very fine Houston businessmen"; and 45% by the present executives of the tool company.

• **Stymied**—But after five months' work the deal failed to come off.

If a sale finally should go through, it won't involve anything like that \$140-million figure mentioned in the original rumors. A spokesman for the company has even admitted that publicly. This makes sense to New York oil and investment men who are thinking in terms of \$40-million to \$50-million.

## Lower Premiums

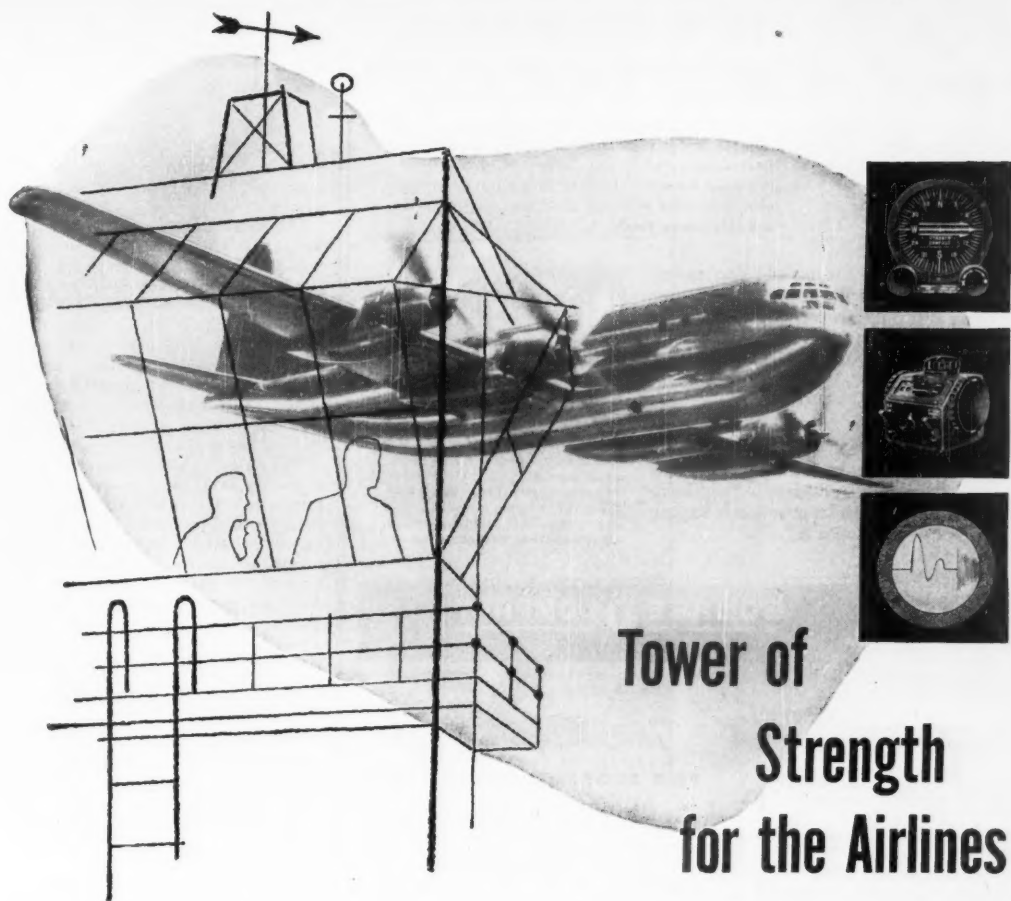
New York O.K.'s premium discounts for interstate buyers of liability insurance, based on total premiums in all states.

Last week the New York State Insurance Department took an important step that will lower the insurance costs of many businessmen. Those who will benefit: large, interstate buyers of liability and workmen's-compensation insurance.

• **Plaint**—Businessmen who have factories and offices, or operate trucks, in more than one state have long complained that they were being overcharged for their liability insurance. They put it this way:

Company A is a local Chicago manufacturer, with but a single factory. Company B, with a similar factory right next door, has several other factories in other states. Yet both men may pay the same premium on the Chicago factories. It certainly costs the insurance company less to handle Company B's bigger volume of business; variable costs include agents' commissions, office overhead, taxes. Why, then, shouldn't Company B get some of the benefit?

• **Discounts Legal**—Here is New York's new approach to the problem: For the first time in any state, it is allowing premium discounts, based on volume,



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✂ The strength of the commercial airlines lies in their ability to provide passengers with swift, pleasant and reliable air transportation. Helping the airlines in this are the C. A. A. Traffic Control Towers on hundreds of airfields across the country.

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proach Control. Using signals from the Localizer and Glide Path of an Instrument Landing System, Automatic Approach Control, operating through the A-12 Gyropilot, guides the airplane along the path defined by the ILS to within 60 feet of the runway, where the human pilot takes over.

✂ In service with many of the airlines today are other Sperry aeronautical products . . . the Gyrosyn\* Compass and other flight instruments giving accurate information on position and direction . . . the Engine

Analyzer that detects, locates and identifies engine irregularities during flight, saving valuable time on the ground.

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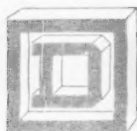
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... Seasoned Field Engineers, in more than 50 offices in the United States, Canada and Mexico, serve as liaison between Square D and industrial America. Their full-time job is working with industries of every kind and size—finding "a better way to do it."

• Through these Field Engineers, Square D does its three-fold job: Designs and builds electrical distribution and control equipment in pace with present needs; provides sound counsel in the selection of the right equipment for any given application; anticipates trends and new methods and speeds their development. If you have a problem in electrical distribution or control, call in the near-by Square D Field Engineer. He makes a lot of sense in finding "a better way to do it."



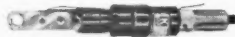
America leads the world in the development of machine tools which speed production and lower costs. For years, Square D has worked with this great industry, producing the electrical control which puts these "miracle machines" through their paces.



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**Ratchet Wrench**

For work in confined areas. Sockets broached through for tightening or removing nuts.



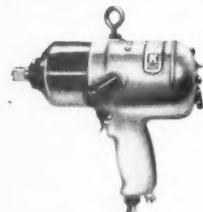
**Angle-Type Nut Setter**

Complete line of nut setters with short heads. Straight handles or 45° attachment.



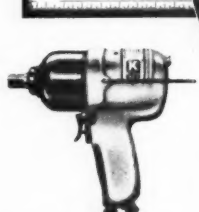
**Open-End Ratchet Wrench**

Open-end tool, easy to use in spaces where clearance is extremely scant.



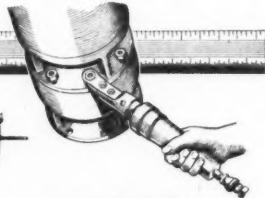
**9-lb Impact Wrench**

Combines high speed with powerful impacting blows, 3/4" capacity. Reversible.



**4 1/2-lb Impact Wrench**

Small, speedy wrench, 1/2" capacity. Delivers powerful impact without kickback.



**Angle-Type Screw Driver**

For use where straight screw driver cannot serve. Short head, straight or offset handles.

## The Right Angle FOR CLOSE-QUARTERS JOBS

In the awkward, hard-to-get-at spaces, you can count on Keller tools to perform with a steady, powerful drive. They're specially built to eliminate tedious and costly handwork in confined areas. Tools are non-fatiguing, easy to hold. A variety of attachments adapts them to unlimited applications on fast-moving assembly lines.

# KELLER *Pneumatic Tools*

Keller Tool Company • Grand Haven, Michigan

for liability insurance. The size of the discount is based on the total liability premium paid in all states by a single insurance buyer. (The discount applies, of course, only to insurance on property domiciled in New York, since that's all the New York department has jurisdiction over.) If the insurance company approves, separate policies of a single company may be combined for this purpose. All kinds of liability insurance may be so combined.

The same method of figuring discounts also applies to workmen's-compensation insurance. (In this field, however, quantity discounts on an interstate basis are already in effect in many states.) Finally, if the insurance company consents, both liability and workmen's-compensation premiums may be combined into a total interstate premium as the basis for figuring the New York discount on the combined lines.

• **Other States Will Follow**—This method of figuring premium discounts makes it possible for all state insurance departments to follow a uniform method of lowering the insurance costs of large interstate buyers. And, since more insurance companies do business in New York than in any other state, most other states are strongly influenced by New York's lead in insurance matters.

## FINANCE BRIEFS

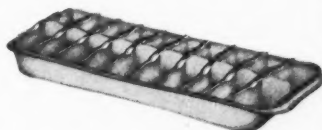
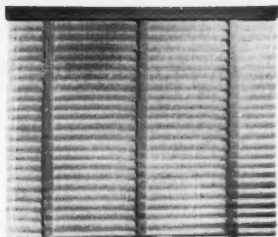
Tucker Corp. says another car manufacturer is willing to assume Preston Tucker's debts and to "save the company." So a federal court has postponed bankruptcy proceedings for 60 days.

Kaiser-Frazer has arranged a \$20-million, 25-month credit line with the Bank of America and Pittsburgh's Mellon National. Loans will be secured by a chattel mortgage on tools and equipment in K-F's Willow Run plant.

Prudential will build no more large-scale, low-rental housing projects unless it gets tax-exemption privileges that assure recovery of investment over a reasonable period. The cause: today's high building costs.

Banks can now help you make out federal income tax returns, for free or fee. Up to now the controller of currency hasn't let them act as "expert consultants on tax matters."

North American Insurance Group companies have asked the Pennsylvania insurance department to O.K. premium cuts of about 15% on several important fire-insurance classifications. They have also applied in the Chicago area.



## Aluminum does them all—but . . .

Naturally, you don't make pots and airplanes with the same alloy.

To manufacture the products illustrated above, a *variety* of alloys and tempers of aluminum are required—each suited to the specific requirements of the job.

How about *your* product? Does it fully utilize aluminum's advantages?

A change in alloy or temper may enable you to *improve your product* by giving it:

Increased strength . . . reduced weight . . . improved finish . . . greater durability.

Furthermore, by making a change

in alloy or temper you may be able to *reduce your manufacturing costs* through:

Lower material cost . . . fewer fabricating steps . . . lower rejection rate . . . lower finishing costs.

Sometimes a minor change in product design—enabling use of a different

alloy—will result in *one or more* of these benefits.

So ask yourself if you're taking fullest advantage of aluminum's remarkable versatility. If there's any doubt, call in a Permanente Metals' engineer and he'll give you the answer!

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# THE MARKETS

## Leading Stocks—and Politics

	1948 High	1948 Low	Nov. 1	Year- End	% Post- Election Change
American Smelting .....	68	46½	61½	54½	-11.5
American Tobacco .....	69½	54½	64½	61½	- 5.6
Du Pont .....	188½	164	181½	184½	+ 1.7
Eastman Kodak .....	46½	38½	44½	44	- .6
General Electric .....	43	31½	42½	39½	- 7.4
General Motors .....	66	50½	65½	59½	-10.1
International Harvester .....	34½	26½*	30½	26½	-11.2
International Paper .....	64½	42½	59½	51½	-13.2
National Dairy .....	32	24½	29½	27½	- 4.3
Procter & Gamble .....	71½	62½	66½	65½	- 1.9
Radio Corp. ....	15	7½	13½	13½	+ 2.8
Standard Oil (N. J.) .....	92½	69½	80½	72½	-9.2
Swift .....	36½	28½*	31½	29½	- 8.3
U. S. Gypsum .....	113½	92½	108½	101½	- 6.0
U. S. Steel .....	87½	67½	84½	70½	-16.5
365 Industrials (Standard & Poor's) .....	143.7	117.2	137.1	126.4	- 7.8

\* Registered since election.

## Message Confirms Election

Wall Street sees nothing in Truman's State of the Union speech any worse than what they have been looking for ever since November. In fact, most stocks gained slightly.

Apparently President Truman's State of the Union message was milder than the stock market had feared. Prices turned up while the message still was coming in over the broad tape. And by the end of the day the Dow-Jones industrials had rung up a gain of 1.59 points.

• **No Excess-Profits Tax**—Traders did wince at Truman's demand for another \$4-billion in tax revenues. But they took comfort from the fact that he said nothing at all about an excess-profits tax. Most companies have decided by now that they would much rather have a hike in the regular corporate income tax.

Wall Street also felt that Truman's remarks about monopoly, and his demands for more controls over business, were less sweeping than they might have been. And when the President wound up without making any direct attack on corporate profit levels, traders generally drew a deep breath of relief.

• **Braced**—Since the November election, the stock market has been bracing itself

for bad news from Washington. You can see that if you take a look at the stock-price records for some of the leading companies that would probably be hit particularly hard by any government program generally hostile to business (table).

Big companies would be the likeliest targets for an anti-business Administration. And in general, the shares of the

### Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
<b>Stocks</b>				
Industrial	148.6	149.3	151.0	148.8
Railroad	42.3	42.3	43.6	44.5
Utility	66.6	66.3	65.9	69.6
<b>Bonds</b>				
Industrial	94.8	94.8	94.5	97.0
Railroad	85.0	84.5	84.4	82.3
Utility	93.7	93.8	93.8	96.6

Data: Standard & Poor's Corp.

big companies have suffered most in the market's postelection drop. There are some exceptions, of course. Du Pont, for instance, shows a gain since election day—mainly because it has announced plans for a stock split. And Radio Corp. of America is up, thanks largely to its stake in television.

But at the end of the year, U. S. Steel was down 16.5% since the election, against a 7.8% loss for Standard & Poor's average of 365 industrials. General Motors was off 10.1%, International Paper 13.2%.

After Truman delivered his message, almost all of these stocks chalked up modest gains. Big Steel closed up with  $\frac{1}{2}$  point ahead. General Motors gained

$\frac{3}{8}$ , and American Smelting one point.

• **Doubts**—The market still has to digest the economic report and the budget, both of which will throw more light on Truman's intentions toward business. And after that there will be the debates in Congress and the slow process of legislation.

And then, too, Wall Street may have some second thoughts about the State of the Union message, once it has had time to study the details. Though the general tone is unimpassioned, the specific recommendations add up to a tough program from a businessman's standpoint. And when Congress gets down to work, it will be the specific recommendations that count.

## One Bright Spot in Wall Street

**Municipal-bond dealers had one of the best years on record in 1948. A big reason: the election day upset.**

For most stock brokers, 1948 turned out to be one of Wall Street's more disappointing years (BW—Jan. 1'49, p. 54). And it was no happier for the underwriters, whose bread and butter depends on the Street's corporate new issues market (BW—Nov. 13'48, p. 91).

• **Exception**—One important Wall Street group, however, was more than satisfied with its 1948 harvest: Most of the municipal-bond houses last year registered healthy profits. Many dealers, in fact, couldn't recall a more successful 12 months. And, to make things nicer, it appears that the goose still hangs high as 1949 opens. Last year:

OFFERINGS of new tax-exempts added up to almost \$3-billion, a new record.

DEMAND for municipals was good, more often than not—particularly in November and December. And no alarmingly large inventory of unsold new-issue offerings hung over the market when the year ended.

• **Where Credit Is Due**—However, it's Harry Truman that the trade must thank for much of its 1948 profits. If he had not confounded the experts last fall, 1948 might well have ended on a much more somber note. Here's why:

For weeks before Nov. 2, most observers expected a Republican victory. Thus, they thought they saw ahead: (1) a reversal of the government's 15-year easy-money policy; (2) a lowering of Treasury-bond support levels; (3) even lower personal and corporate income-tax rates. Besides, on election day voters were to be called on to approve issuance of almost \$1.2-billion of new municipal issues. If most were O.K.'d, the flood of new offerings which would ensue might well depress prices.

These factors had caused a gradual, but protracted, pre-election price decline

in tax-exempts. And by early November, the Dow-Jones index of municipal yields (which moves inversely to prices) had risen to 2.45% from 2.16% in late May—1948's best level up to then.

• **Came Nov. 2**—Municipal voters, however approved only 55% of the suggested new bond issues. And Truman's victory dashed the expectation that taxes would be lowered, that government-bond pegs would be relaxed, that easy-money policies would be reversed.

This abrupt change in sentiment immediately touched off renewed interest in tax-exempts. And Christmas week saw the yield index pushed down to 2.14%—a new 1948 low in point of yield, a new high in terms of price.

• **Next?**—Where do we go from here? Most dealers expect higher prices on municipals. Many of them have been building up their bond inventories, in the belief that they can dispose of such holdings later on at a profit. More than a little of the price strength the market has displayed lately, in fact, can probably be traced to such "inside" buying.

Some market students outside the trade aren't quite so bullish. They say the market has been a little too thin lately—particularly, that public participation has been lacking. So, before going out on a limb with predictions of the near-term price trend, they want to see the market's present price underpinnings thoroughly tested.

In some respects, however, the trade's optimism may be justified. Even if higher bracket personal and corporate income tax rates aren't soon hiked, as Truman demanded in his State of the Union speech Wednesday, the tax-exemption inherent in municipals has considerable attraction where many individuals and bank investors are concerned.

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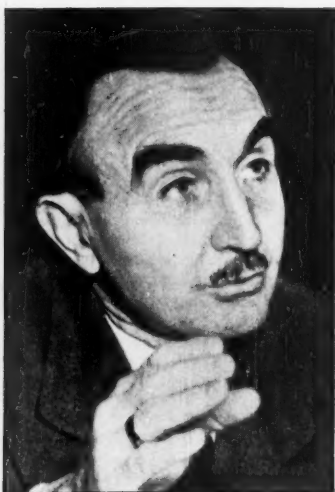
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# LABOR



REPUBLICAN SENATORS Robert A. Taft, Irving M. Ives, and Wayne Morse have opened the . . .

## Battle Over Changing Taft-Hartley

Republicans, though split, seek to save the present law with amendments. Democrats want to model new statute on the Wagner act. Moderates in both camps hold the decisive vote.

Republican senators this week opened a last-ditch fight to preserve the Taft-Hartley act. Their views were sharply divergent, but they clung to a common argument: Let's not go back to the Wagner act.

President Truman's State of the Union message to Congress called for repeal of the T-H law and return to the old Wagner act—as a starting point for a new federal labor law. The President urged that, if readopted, the Wagner act should: (1) be revised to bar jurisdictional strikes and “unjustifiable” secondary boycotts; (2) restrain “use of economic force to decide disputes arising out of the interpretation of existing contracts”; and (3) provide means for “settling or preventing” strikes in vital industries.

• **Lame-Duck Report**—The opening fusillade in the G.O.P.'s fight to keep Taft-Hartley was the lame-duck report issued last week by the Senate-House “watchdog committee”—headed by former Sen. Joseph Ball. The report—from which a committee minority dissented—gave strike statistics to support a contention that T-H achieved its purpose.

It urged that the law be retained, with eight “fairly important” revisions. Chief

importance of the report is apt to be the use to which it will be put in debate by Republican leader Sen. Robert A. Taft, whose views it reflects.

• **Eight Proposals**—The report's main proposals:

(1) Eliminate the T-H requirement for a vote before a union can bargain for a union-shop contract. But the committee urged that restrictions on the closed shop be retained.

(2) Make the non-Communist affidavit requirement apply to all union members who exercise “policy-forming, governing, and negotiating authority.” The committee also suggested requiring management to sign similar affidavits.

(3) Take jurisdiction over some local businesses away from the NLRB.

(4) Ban strikes intended to compel an employer to accept an unfair labor practice—such as “conditions of employment” comparable to a closed shop.

(5) Revise the emergency strike section of the law to let the President apply for an injunction when he names an emergency board—rather than wait until after it reports.

(6) Permit a union to strike during the term of a contract if it has given required 60-day notice.

(7) Require a union to reimburse workers denied access to their jobs by “mass and coercive” picketing.

(8) Clarify the provisions that restrict the checkoff of dues and union welfare funds, guarantee “free speech” for employers during pre-election campaigns, and limit the political activities of labor organizations.

• **Less Significance**—Labor leaders believe that any significance the report might have had was removed by the November election. With the Democrats in control of Congress, unions are sure the minority opinion on the committee is of greater significance.

• **Ives and Morse**—One of those who wouldn't go along with the majority report is a middle-of-the-road Republican, Sen. Irving M. Ives—considered by both parties to be one of the Senate's ablest men on labor problems. Sen. Ives favors repeal of T-H, with simultaneous adoption of a new law which would retain a good part of the present act.

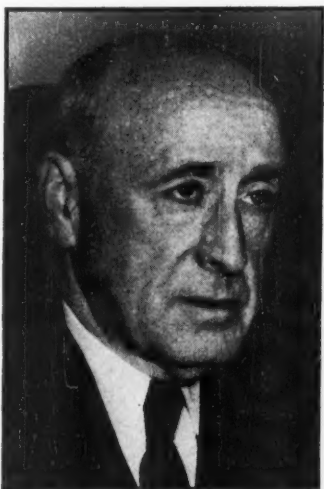
A third Republican point of view in the Senate is represented by Sen. Wayne Morse, of Oregon. Morse has been a consistent and sharp critic of T-H. He favors a new law aimed at checking excesses by both labor and employers, without destroying “any legitimate rights of either.” The Morse program—closer to the Administration's views than any other of the Republicans—isn't wholly acceptable to C.I.O.: Morse favors restrictions on jurisdic-

tional strikes and on some types of secondary boycotts; he would require unions to bargain in good faith, and he thinks some machinery for handling national emergency disputes is necessary.

• **Thomas**—Of more strategic importance now are the labor-law views of Sen. Elbert D. Thomas—who regained chairmanship of the Senate Labor & Public Welfare Committee this week. Thomas favors return to the "original intent" of the Wagner act, but recognizes that "some revision" of the old law is necessary. He would add provisions for coping with some secondary boycotts and jurisdictional disputes and with national emergency disputes. He would minimize use of injunctions, but not eliminate them completely. He favors allowing the closed shop, and is against non-Communist affidavits—although he would vote to retain them if the Supreme Court decides they are constitutional.

He also favors letting foremen have the law's protection in union activities in labor organizations wholly independent of production workers.

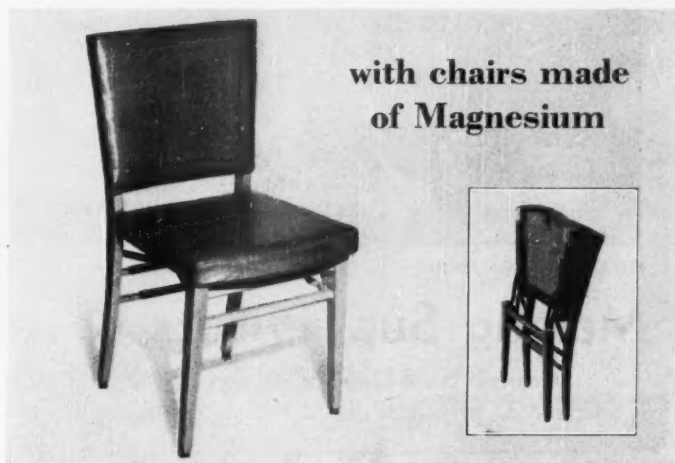
• **Many Authors**—Thomas—along with Senators James E. Murray and Claude Pepper, who are the New Deal veterans on the labor committee—will be important in steering a new labor bill to the Senate floor. That bill now promises to be the product of many minds—and of some tough bargaining. Labor won't just dictate it. And it's unlikely that the White House version will get through Congress without alterations. Some of the President's closest advisers are reported split over the advisability of some of his recommendations.



**DEMOCRATIC SENATOR** Elbert D. Thomas of Utah, will guide his party's labor bill to the floor

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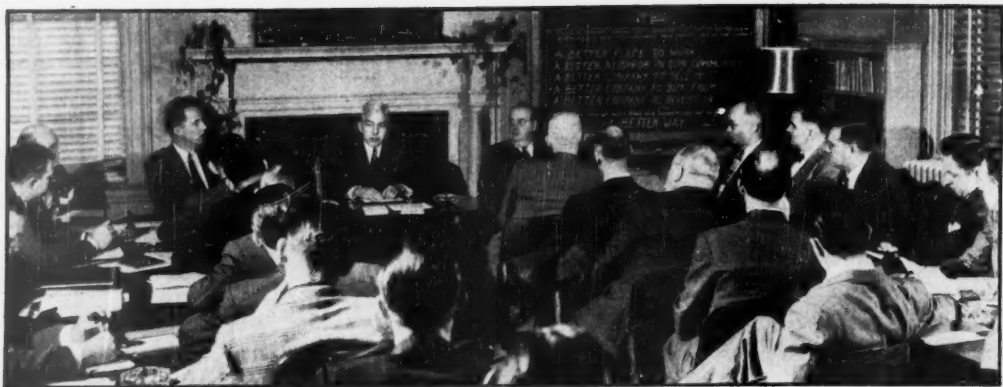
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FOREMEN LEARN ABOUT THE COMPANY at meetings with top executives of American Brake Shoe in a program aimed at . . .

## Making Supervisors Better Bosses

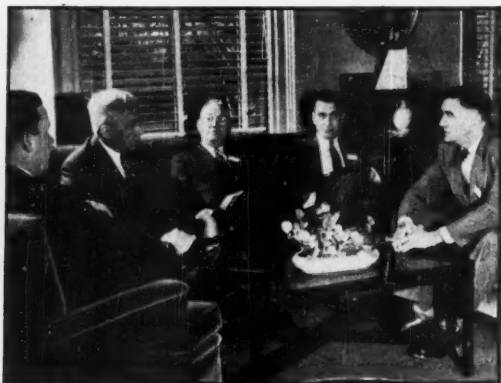
American Brake Shoe's Information Center program teaches company foremen the whys and wherefores of policies and practices, gives them a greater feeling of responsibility.



1 Foremen arrive from home plants, and . . . 2 Sign in for one-week "course" at company's Suffern (N. Y.) Information Center in . . .



3 Former country club. There, foremen go to classes, sleep, and . . .



4 Meet top men of the company on an informal basis



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To acquaint more men and women with the advantages of improving their understanding of management principles and methods, the publishers, Funk & Wagnalls Company, will send the Introduction to the Reading Course in Executive Technique to anyone who requests it. The address is Funk & Wagnalls Company, Dept. BW, 1-8, 153 East 24th St., New York 10, N. Y. A penny postcard will do. There is no charge for the booklet.—Advt.

HAVE YOU SEEN.....  
The National Industrial Real Estate  
Bulletin of BUSINESS WEEK?

## SUPERVISORS TRAINING (continued from page 90)



5 Meeting other foremen helps build company spirit and knowledge of others' jobs. And...



7 Back home again, foreman passes along to fellow supervisors what he's learned, and...

## Foremen Learn to Be a Part of

Information program has taken steam out of union drive on American Brake Shoe foremen. The main reason is that it emphasizes that the company wants the foremen to take responsibility.

A year-and-a-half ago, foremen at American Brake Shoe's main plant in Detroit were all hopped up about unionization. Only passage of the Taft-Hartley law—with its curbs on foremen's unions—kept the Foreman's Assn. of America out of the plant.

• **Change in Role**—Today, the company is certain, the same foremen are solidly a part of management; they no longer are likely prospects for F.A.A., or any union. This change in attitude reflects an expansion in their role in the com-

pany. At least partly responsible is American Brake Shoe's new Information Center program—which has just ended its first six-month "term." Company officials call the Information Center "definitely a success" so far.

• **Whys and Wherefores**—What American Brake Shoe set out to do was hardly unique. It simply wanted to give foremen a clearer idea of the whys and wherefores of company policies and practices.

By rotation, it gives foremen a week's



6 Seeing company products helps, too



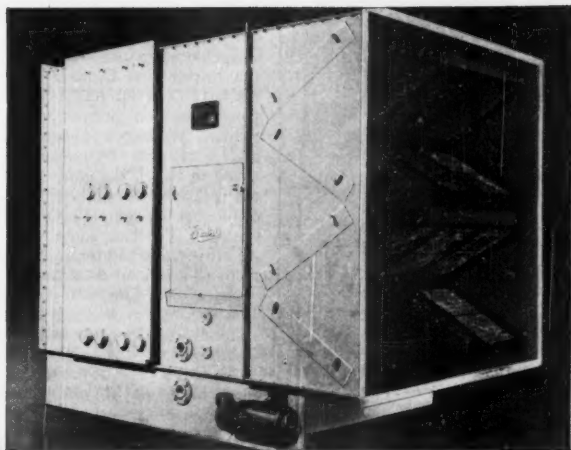
8 Production workers also get the facts

## Chief of Management

trip to American Brake Shoe's home office in New York. They are put up at a former country club at Suffern, N. Y., now a company "inn" and recreation center. Company officials meet them informally, and also address them in formal open-forum conferences. Each top company man explains his job and what is going on in his department.

• **Better Feeling**—Net result is an enlivened feeling of personal contact with the company's top officers, and a greater grasp of company problems and policies.

Here's an example of what it means: A foreman from a small American Brake Shoe plant recently was approached by a delegation of production workers. They were worried; reports were going around that a competitive product was



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Address inquiries concerning the National Real Estate Section of **BUSINESS WEEK** to the Classified Advertising Division, McGraw-Hill Publishing Company, 330 West 42nd Street, New York 18, N. Y.

going to put a crimp in sales of an American Brake Shoe product. It might cost workers' jobs.

The foreman had just got back from the Information Center. One of the matters taken up had been the company's business prospects. The competitive product had been discussed, and a research technician had been called in to tell the group what American Brake Shoe was going to do to counteract the competitor's apparent advantage. The local foreman passed the information he had received along to his men. Their fears were eased.

• **No Union Question**—The Information Center plan was not adopted as a means of weaning foremen away from F.A.A. Company officials say flatly that if there is such a by-product result, it's well and good. But the plan probably would have been put into effect even if F.A.A. had got into the Detroit plant.

The program actually is an extension of a program which had been in effect for years for top company men. At one of those sessions, company president William B. Given, Jr., commented that the men who actually have to carry out the policies in the plants should be present. The Information Center program was started last July.

• **Who Goes**—The Suffern clubhouse can accommodate 35. That many are chosen from plants (there are 60 in all) scattered over the country. The idea is to get, for each session, a cross-section of company supervision. Some of those tapped for each session are plant superintendents. Most are foremen—some 30-year men, others with as little as one year with company management.

The idea is that all foremen will attend at least one session during the course of the program, which may take three years to complete.

• **Selection**—The company has run into some trouble with its method of selection. But the explanation is that the company wants some old-timers and some youngsters in attendance is usually accepted gracefully.

The seniority problem hasn't been important largely because there are few foremen in most American Brake Shoe plants. In Detroit, where there are 60 or more, selections have been made by ballot. The first man picked by fellow supervisors was a relatively new foreman—formerly the president of the plant United Auto Workers (C.I.O.) local union.

• **What They Get**—Men who attend are given transportation, their full salary for the week, an expense account to pay incidental extra costs, their board and lodging at the Suffern club, and a day in New York on the company. Each session costs the company an average of \$200 per person—or about \$7,000 for each weekly conference. Total cost, so far, has been just under \$50,000.

The cost would be much higher if the company didn't own the clubhouse. The company uses it for the foremen and for another training program which prepares young "cadet" employees for jobs in the company.

• **Play, Too**—Foremen who attend the Information Center find it isn't all work; there's time for beer and skittles. "Class work" and visits to company properties take up about seven two-and-a-half-hour morning and afternoon sessions. But these end at 4 p.m., and men are then free, in summer, for a swim in the clubhouse pool or for bowling or pool in the recreation rooms, tennis on clubhouse courts, or lounging and other less-strenuous activities.

The free time isn't just a bonus for attending formal sessions. The company figures that a glass of beer or a billiard cue can do a lot to make men get to know each other—and the variegated operations of American Brake Shoe.

• **"Straight Dope"**—The Information Center program continues when the men go home. They report back to their local foremen's conferences. They give them the "straight dope" on the company, as they got it direct from company president right down the line.

One question—that bothered the Detroit group—was: What about steel supplies in 1949? It got a direct answer, relayed from the men who buy the steel: We expect we'll get at least as much as we did in 1948; operations should continue at least on the same levels as last year.

• **Up to Date**—Foremen who attend the Information Center get a looseleaf manual in which they file material furnished to them daily, and in which they make whatever notes they want to keep. The manual is kept up to date; as new developments occur, the foreman gets new sheets to be filed.

One thing is drummed into the foremen throughout each session: You're a part of management; the whole company is behind you; make decisions whenever necessary. And remember that any man is excused for a mistake now and then, but not for failure to exercise his responsibility as a management man.

• **Application**—There's practical application of this policy: For instance, a foreman can veto a plant superintendent's plan to install new machinery if the foreman doesn't think it's needed. Or he can sign a requisition, which the plant superintendent must pass along, for new equipment that he believes will help output. The requisition doesn't mean that the foreman will get what he wants. But it does mean that his request will get the attention of top management, and that the foreman can make a determined fight for what he thinks he needs.

## States Upheld

Closed-shop bans O.K.'d in high-court ruling on three states. Decision will spur fight for Taft-Hartley repeal.

The effect of the Supreme Court decision upholding state laws which ban closed-shop contracts may not outlive the Taft-Hartley law. A new labor statute may specifically legalize closed shops in interstate commerce, despite state bans. This is what the union will drive for.

The T-H law recognizes a right of any state to pass a stricter labor law than that acceptable to Congress. State laws banning the union shop take precedence over federal law. The proviso was considered necessary because . . .

The old Wagner act had provided that no "statute of the United States shall preclude an employer from making an agreement with a labor organization . . . to require as a condition of employment" membership in the union.

During the Wagner act decade, this was sometimes interpreted as limiting state laws. It was construed to mean that states could not apply to businesses in interstate commerce a law that would go further in its restrictions than the Wagner act.

• **States Upheld**—The high court this week decided cases based on state laws of North Carolina, Nebraska, and Arizona. The justices, with surprising unanimity, ruled that closed-shop bans in the three states are legal. They also ruled that other states have equal right to adopt similar laws. Where no laws to the contrary are on state statute books, federal regulations will prevail.

The justices said that they found nothing in the language of the state laws to "indicate a purpose to prohibit free speech, assembly, or the right to petition"—basis of union arguments against the laws. Nor, they said, did they find anything to support a charge that the state laws "deny equal protection to unions as against employers and non-union workers."

• **Sparker**—The decision will spark repeal drives in the legislatures of the 12 states that have effective laws banning closed-shop contracts.

The Pictures—Acme—23 (top left); Black Star—31, 88 (center); Harris & Ewing—25, 56 (left, right); Keystone—101, 104; Phil Schultz-Magnum—90, 92, 93; Wide World—22, 23 (right, bot.), 56 (mid.), 88 (left, right), 89, 107.

ADVERTISEMENT

## BUSINESS IN MOTION

*To our Colleagues in American Business . . .*

Probably few people realize that the dairy industry is a large user of special brushes. In pasteurizing and bottling plants milk flows through pipes and tubes, and these must be thoroughly scrubbed inside, using small cylindrical brushes attached to rods. Naturally, the brushes themselves must be capable of sterilization, which means a metal back. Conventional tufted brushes do a good job, but a famous manufacturer realized that a better job would result if it could make a brush by holding the bristles in a channel, and then winding the straight brush into a small, tight spiral. Experiments immediately showed, however, that there was a lower limit to the radius obtainable without cracking the metal and loosening the bristles. That limit, unfortunately, was considerably above the radius necessary to make a brush that would have an outside diameter, over the bristles, of  $\frac{3}{4}$ " and an inside diameter, over the mandrel, of  $\frac{3}{16}$ ".

It was at this point that Revere was called in. Did we know of any metal or alloy which would withstand such a double deformation? Remember, Revere was told, the metal first must be turned up into a channel, enclosing a brass wire around which the bristles are set. Then the channel must be bent on its back in a tight coil with that small inside diameter of  $\frac{3}{16}$ ". Was there anything that would take this abuse and not crack, split, break, or open the bristle-filled channel?

Anybody could see that this was a tough problem. If annealing could have been resorted to, perhaps the operation would not have been considered too difficult, but you can't anneal bristles. The metal had to be taken as it came from the mill, made to do that double flip-flop, and make a perfect brush.

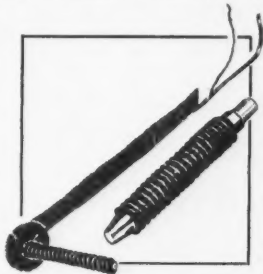
If you had been the brush manufacturer, we trust you would have done what he did—come to Revere for help. If you had been Revere, you would have done just what we did—study the characteristics of all the Revere Metals and Alloys, seeking one that would

have the required strength and toughness, plus maximum corrosion-resistance.

Revere is proud to have found the answer in a certain gauge and type of Cupro-Nickel Strip. Test runs with this were entirely successful, and regular production soon began. Thus it became possible for our customer to offer this

improved brush to the dairy industry.

This is but one example that shows how a supplier can collaborate with his customers to mutual benefit. Revere is not alone in carrying on such activities. Every supplier, no matter whether he produces metals or woods, chemicals or plastics, rubber or glass, inevitably knows a great deal indeed about his materials and how to work them into finished products. The great essential is that he be fully informed as to methods and end uses, for only then can he turn his knowledge and experience to your benefit.



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## Left-Wing Setback

Electrical workers put anti-Communist officers in power in key local; may pave way for national change.

If local union voting means anything, Philip Murray's strong words in Portland against pro-Communists struck home. Ever since then, right-wing tickets have shown winning strength in United Electrical, Radio & Machine Workers (C.I.O.) elections.

• **Worst Setback**—Last week, U.E.'s leftists got the worst setback so far. An anti-Communist coalition ticket won control of the important local union at the Westinghouse Electric Corp.'s Pittsburgh plant. Total gains haven't been enough yet to foretell a sure change in U.E. politics. But they do indicate that there's at least a sporting chance for right-wingers to take over at the electrical union's convention this year. They took a 5-to-1 trouncing from incumbent leftists in 1948 (BW—Sep. 11 '48, p. 112).

• **Key Local Out**—The Westinghouse-Pittsburgh victory for the U.E. right-wingers took a key local out of the leftist block. The union, Local 601, is considered one of the most important in U.E. It claims 16,500 paid-up members—of whom 13,900 went to the polls.

In the past, Local 601 has often influenced smaller U.E. locals in western Pennsylvania on union political matters. Hence it's always been an important objective of the right-wing U.E. The fight has been led by C.I.O. secretary-treasurer James B. Carey, a former U.E. president, and Harry Block, Pennsylvania C.I.O. Council secretary-treasurer.

• **Near Miss**—Local 601's left-wingers kept control by a narrow margin in 1947, when the right-wing split into four factions. About 11,000 voted, and leftists nosed out most anti-Communist candidates by only 800 votes. The right-wingers consolidated their forces in the 1948 election, defeated "progressives" by 8,324 to 5,215.

The new president is Phil Conahan; he won from Thomas J. Fitzpatrick, described by the right-wing as "the mouthpiece" of communism in Pittsburgh.

• **No Comment**—The company declined comment on the election results. But it was no secret that the company was pleased. At the same time, Westinghouse is expecting to have rougher going in initial relations with U.E. now that right-wing leaders are in the local saddle. The leftists were all skilled negotiators, while the right-wing leaders don't have the bargaining skill and experience of their predecessors.

The victory in Local 601 gives U.E.'s right-wing at least temporary control over three of the union's largest locals. They won a smashing victory recently in the 15,000-member General Electric Co. local in Schenectady. They took another at C.E.'s plant at Lynn, Mass., home local of U.E. president Albert J. Fitzgerald. The anti-Communist faction also has taken over other locals in Pittsburgh, Cleveland, Philadelphia, Dayton, Fairmont, W. Va., St. Mary's, Pa., and elsewhere. Organized opposition to international officers and policies of U.E. is also taking shape in other small locals.

## LABOR BRIEFS

**A.F.L.'s Dixie drive** is in new hands. George Googe, A.F.L. southern director for 20 years, has quit to be vice-president of Pressmen's Union. His successor: J. L. Rhodes, assistant director for A.F.L. in the South.

**Ladies Garment Workers (A.F.L.)** is getting set for a big organizing drive. Object: to sign up 75,000-100,000 unorganized workers in its industry, mostly in the South and West.

**A.F.L.'s Teamsters** also will open a new organizing push shortly—among over-the-road motor freight drivers; in warehouses, garages, filling stations, fruit, vegetable and produce markets; and among men who drive new cars from factories to distributors.

**Laundry strike** in Pittsburgh has kept nine Smoky City laundries closed for two weeks. A.F.L. Teamsters want a five-day week, higher pay. Employers have O.K.'d a shorter week, won't meet pay demands.

**Retirement at 65**—compulsory under Kroger Co.'s nationwide pension plan—is "firing" in violation of contract rights, two A.F.L. unions complain. They want a Pittsburgh court to order Kroger to arbitrate the "discharges" as a contract grievance. Kroger argues plan isn't in contract, so isn't arbitrable.

**New wage increase** to Pan American Airways ground personnel adds 10¢ an hour to paychecks. Group is represented by Transport Workers Union (C.I.O.).

**Human relations** pose a challenge to enlightened management, believes Harry A. Bullis, chairman of the board, General Mills, Inc. His ideas are in a booklet for management men, available free from company offices in Minneapolis.



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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

JANUARY 8, 1949



Paul Hoffman is working out a new year for the Marshall Plan. He hopes to have his proposals ready for Congress by Jan. 24.

Hoffman wants about \$4.3-billion for the next fiscal year—July 1, 1949, to June 30, 1950. This is \$550-million less than he is spending for the first 12 months of the Marshall Plan.

The \$4.3-billion figure is the price tag the Marshall Plan countries have just put on their 1949-1950 needs. It was screened by the Economic Cooperation Administration's Paris headquarters. So Hoffman isn't likely to change it much.

But that isn't all the money Hoffman will ask for. The total will be about \$5.5-billion. Hoffman needs the extra \$1.2-billion to tide him over from Apr. 1 to June 30, 1949. Under an option given him by Congress, Hoffman used up his first appropriation in 12 months instead of 15.

Hoffman wants more than money out of Congress. He would like the following operating rules changed:

(1) The 50-50 shipping clause. It says that U. S. bottoms must carry at least 50% of ECA cargoes. Hoffman launched his campaign against this clause late last year (BW-Dec.25'48,p73).

(2) The rule that commodities declared surplus by the Dept. of Agriculture must be bought in the U. S.—not offshore. Hoffman would like to shop in the cheapest market, regardless of U. S. surpluses.

(3) The rule that 25% of the U. S. wheat shipped to Europe must go in the form of flour. Hoffman claims wheat is cheaper to ship than flour.

(4) The \$75-million-a-year limit on exports of U. S. farm machinery to Marshall Plan countries. Hoffman thinks farm machinery here is in easier supply now.

Hoffman also may ask Congress to pass strategic material purchases over to some other agency. He doesn't think ECA is set up to handle this job (page 16).

## Look for more trouble in France over control of the Ruhr.

True, the agreement of Dec. 28 proposes a permanent international authority over Ruhr coal, coke, steel. This body is to have 15 members—three each for the U. S., Britain, France, Benelux, western Germany.

The Queuille government claims it won a great victory in this agreement. But the only real concession the U. S. made was to continue the authority after the military occupation ends.

(Washington gave in on this point to keep the Queuille government in office. If Queuille had toppled in a row over Germany, both the Marshall Plan and the North Atlantic alliance might have been in danger.)

Here are the points in the Ruhr agreement Queuille's opponents are sure to attack:

(1) During the occupation, the six-power authority will be little more than a consultant body. In effect, all decisions will have to be okayed by the United States and British military governors. (The U. S. and Britain will control their own six votes plus western Germany's three, which gives them nine out of 15.)

(2) When the occupation is over, the authority will have no power to curb Germany if it refuses to go along with a majority decision.

(3) The Dec. 28 agreement doesn't affect the Anglo-American decision of Nov. 11 to return Ruhr industry to the Germans. The French have been

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK  
JANUARY 8, 1949

told that they can raise this question at any time. But the U. S. has no intention of reversing its position.

Bizonia has just closed its biggest single import contract—2.8-million tons of iron ore from Sweden. Value: \$25-million.

Deliveries of the ore will extend through 1949. The supplier is Loussa-vaara-Kiirunavaara A. B., Stockholm.

Deals are in the works with other Swedish companies for 521,000 more tons valued at \$5-million.

Bizonia plans to produce about 9.1-million tons of ingot steel during the fiscal year 1949-50. That will take about 6-million tons of iron ore. But with Sweden ready to supply more than half, it shouldn't be too hard to get the rest.

Europe's east-west trade seems to be on the upgrade.

Britain and Poland came to terms this week on a five-year trade agreement. It calls for: Polish shipments of farm products; British exports of machinery, wool, and rubber. (London also got a \$25-million settlement covering part of the British property nationalized in Poland.)

Italy and Russia signed a one-year trade pact last month. It calls for: Russian shipments of 300,000 tons of wheat, 100,000 tons of oats, 200,000 tons of pig iron; Italian exports of hemp, synthetic fibers, aluminum, mercury, sulphur, chemical products, and machinery.

Italy is making a real bid to sell its industrial know-how abroad.

A group of the country's biggest engineering firms have joined forces to get business in Latin America, the Middle East, and India.

The new company, Compagnia Generale Impianti, has its headquarters in Genoa. It will design and build power stations, gas and coke works, mineral reduction equipment, cement plants, oil refineries, chemical plants.

Dutch and Swiss interests want to enter Europe's small-car field.

The idea is to produce the German D.K.W.—patents for which are available.

The chassis and body would be built in Holland, the engine in Switzerland. The new D.K.W. would be priced below the German Volkswagen.

There has been a major shift in Russia's economic high command.

Finance Minister Alexander Kosygin has just changed over to a new post—Minister of Light Industry.

Kosygin's job is to speed up production of consumer goods. Under his wing are textiles, shoes, clothing, paper. Moscow papers have been full of complaints for months now about shoddy output in these industries.

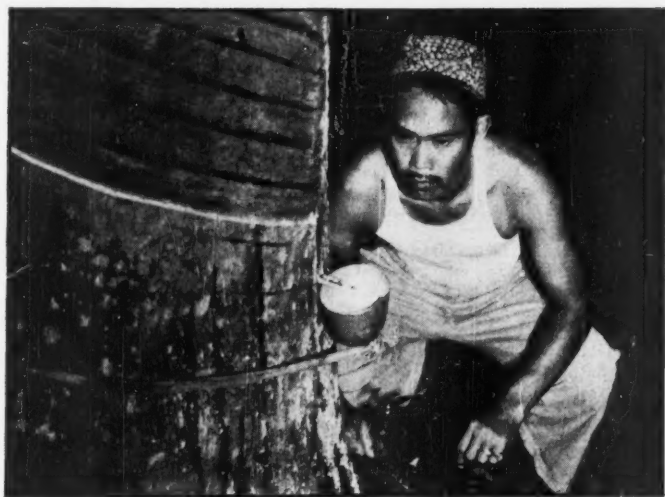
This is Kosygin's second job as a troubleshooter. A year ago, he took over the finance ministry to: (1) carry through the ruble reform; (2) cut down subsidies to industry.

India wants more dollars this year to buy U. S. capital goods. So New Delhi is exploring these possibilities:

- (1) Asking the World Bank for a sizable loan.
- (2) Drawing still more on its quota in the International Monetary Fund. (India has already drawn \$44-million from IMF.)
- (3) Luring U. S. private money by allowing foreign investors to hold a majority interest in Indian companies—something not permitted now.

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# BUSINESS ABROAD



RUBBER is just one of the rich treasures at stake in the big question of . . .

## U. S. Business and Indonesia

**End of Dutch blitzkrieg in East Indies brings new economic and political headaches. But it's almost sure that American businessmen will play big part in island reconstruction and trade.**

This week Dutch troops just about finished their blitzkrieg on the rich islands of Sumatra and Java. In their wake they left some new headaches for the U.S., already groping for a Far Eastern policy of its own. And U.S. business will have to wait a little longer to see where it stands in the fabulous Indonesian market.

The U.S. condemned the Dutch action on two counts. First, Washington felt that it weakened the West's fight against communism in the Far East—it gave weight to Moscow's propaganda line that colonial people can't get their independence through cooperation with western powers. Second, Washington scolded the Dutch for stirring up a fuss in an area so vital economically to the Marshall Plan.

• **Half Measures**—The U.S. backed up its stand with a couple of half measures:

FCA-boss Paul Hoffman stopped payments on the \$84-million ECA allocation for the Netherlands East Indies. But the move was at best psychological; all but \$14-million had already been spent.

In Paris, the U.S. urged the United Nations Security Council to call for a withdrawal of Dutch troops. But among the western powers only Australia sup-

ported the U.S. Combined British, French, and Russian opposition watered down U.N. action to another cease-fire order. The colonial powers feared that they might have to take similar action in their own colonies some day. Moscow's line was to give the Dutch enough rope to hang themselves.

• **Starting a U.S.I.**—Meanwhile, the Dutch are wasting no time getting on with their plans. Holland's Socialist premier, Willem Drees, rushed to Batavia this week to set up an all-Indonesian interim government. It will be the first step toward a United States of Indonesia (U.S.I.)—the long-standing Dutch promise for a government which would include republican and nonrepublican territory and be "on an equal footing with the Netherlands." And Drees feels sure that most Indonesians will cast their lot with the Dutch, despite the shooting.

Chances are the western powers will have to take this gamble along with the Dutch. That is the way The Hague planned it. The Dutch expect that, when all is said and done, the West will turn around and thank them. •

• **Strong Argument**—The Dutch have one strong argument to back their claims. If they left Indonesia, there is

little doubt but that the islands would soon be tottering on the brink of anarchy, just as so much of the rest of Asia is. And these days the only ideology that can thrive on anarchy is communism.

Burma is a case in point. Less than two years ago Britain gave Burma its independence. Now the country is virtually without a responsible government—a continual prey of the Communists.

• **The Real Trouble**—But the bone of contention between the Dutch and the Republic of Indonesia isn't whether or not the Dutch should clear out. The republic's two top political leaders—President Sockarno and Premier Hatta—have been behind the U.S.I. movement all along. The trouble came over the question of who was to control the Republican army—variously estimated at from 100,000 to 400,000 strong.

The Dutch claimed that Hatta and Sockarno had no control over their generals. These, they said, were the real leaders of the republican movement. Armed and organized under the Japanese occupation, the republican army was no more than a group of old-fashioned warlords.

• **Control Need**—The Dutch felt that they had to control the army under U.S.I. to give the new government a fair trial. They would certainly need such control if they were to keep in check guerrilla action that was bound to follow the prolonged dispute.

The Dutch stand seems coldly logical in the light of the fact that they are conducting an experiment in self-government among a people who are politically still in the 18th century. But nationalism anywhere is an extremely self-conscious thing. It is little wonder that the Indonesians resent the Dutch version of independence, under which the colonial power keeps control of the army.

Last month the Dutch felt that they had haggled over this point long enough. They presented strong evidence that their position in non-republican areas of Indonesia was being undermined by republican-sponsored terrorists. They claimed that further delays would upset the whole U.S.I. apple-cart. They attacked.

• **Economic Motive**—Strictly speaking, the Dutch had a purely economic motive for taking unilateral action against the Republic of Indonesia. They did so to establish political stability in an area that represents a sixth of Holland's national wealth. That is what some \$1.5-billion worth of Dutch investments in Indonesia mean to the mother country.

Nobody knows better than the Dutch that all their hopes depend on political stability in the shortest possible time. If the latest attack serves to spark Indonesian nationalism throughout the

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3,000-mi. island chain, the Dutch position may become untenable in the not-too-distant future. If the Dutch get away with their gamble, U.S.I. may become a reality this year.

• **U.S.I. Setup**—The United States of Indonesia will have about the same political relationship with the Netherlands that the Dominion of Ceylon has with Britain. Indonesians will man the U.S.I. government and control their internal affairs. To a large degree, they will also control their economic development and trade. But Dutch "advisers" will have a heavy influence on the country's economy.

The present Exchange Board, to which all foreign-exchange revenues from Indonesian exports are channeled, will be handed over from Dutch to nominal Indonesian control. Both the Dutch and the Indonesians have guaranteed a fair return to foreign investors. But there is no doubt that the highest priorities on foreign exchange will go to economic development in the islands, and to raising the Indonesians' standard of living. Foreign investors will get priorities only if they want to plow back their earnings into Indonesian developments. Transfers of profit will be small for some time to come.

• **The First Job**—Reconstruction will be the first task of the U.S.I. government. And the Dutch will have a big hand in that. A bill creating a reconstruction bank is now pending in the Dutch parliament. Under it the Dutch will put up 125-million guilders (\$46-million) and the U.S.I. government a smaller share. Some private capital will probably be added to the bank's backing. The bank will make loans for reconstruction projects. It will be strictly a guildier operation.

A good share of the reconstruction work, the Dutch say, will be carried on in republican areas (40% of Java and 85% of Sumatra). These areas contain a little more than 20% of Indonesia's natural wealth. But the Dutch claim that the welcome appearance of Sumatra rubber and palm oil on the world markets won't offset the cost of rehabilitating other industries in the area—not for a few years anyway. Big item on the reconstruction list: the Java sugar industry.

• **U.S. Business**—If the Dutch can worm their way back into Washington's good graces, U.S. businessmen will be the big providers for the reconstruction under U.S.I. The job will call for both capital goods and incentive goods from the U.S.

The Export-Import Bank will probably renew the \$100-million credit for Indonesian reconstruction; it has held it up for three years now due to uncertain conditions. The Commodity Credit Corp. has shown interest in advancing credits for incentive goods.

Then, of course, there is always ECA. But all this fruit will hang on the vine until the Dutch restore political order.

• **Trade to Spurt**—U.S. trade, of course, will also take a spurt if peace comes to Indonesia. Last year the total volume fell off a bit from 1947 figures—largely because of tough dollar restrictions imposed by the Dutch.

For the first nine months, U.S. imports from Indonesia amounted to something over \$50-million—a good rise from 1947's total of \$33.5-million. But U.S. exports to Indonesia were only \$62-million for the first nine months of 1948, as opposed to \$112-million for all of 1947.

• **Who Wins?**—Long established U.S. firms in Indonesia aren't taking sides in the issue. But it looks as if they stand to win most if the Dutch make good their gamble. There are 26 U.S. companies in all with branches or subsidiaries in Indonesia. Biggest ones are Goodyear Tire & Rubber, U. S. Rubber, Standard Oil of California, Texas Co., Standard Vacuum Oil Co., Procter & Gamble, and General Motors Corp.

But if the tables are turned on the Dutch a new crop of U.S. firms may stand to win. Spokesman for this group is Matthew Fox, former vice-president of Universal Pictures Co. and now a man of many businesses. About a year ago, Fox concluded a deal with the Republic of Indonesia government whereby the American-Indonesian Corp. (a Delaware corporation) was formed. Fox's job is to promote trade between private U.S. firms and the republic direct. For his trouble, Fox is to get 5% on every ton of stuff bought or sold by the republic government here.

• **Spokesman**—Fox says he hasn't made a nickel yet. But he has "countless" deals on the fire, waiting for some decision in the political dispute. Meanwhile, he has become the republic's foremost spokesman in the U.S. He is crusading to end "the 300-yr. old Dutch monopoly" on Indonesian trade.

## INDIA CHEMICAL EXPANSION

CALCUTTA—Alkali & Chemical Corp. of India, Ltd., one of India's biggest chemical producers, is off on a \$2-million expansion program. Design work has started on enlargement of the company's chlorine plant; the goal is to boost output from 1,500 to 4,150 long tons a year by 1951.

Two new plants are also under way. One will make benzene hexachloride dust from benzene hexachloride. The other will turn out hydrochloric acid, using the company's own output of chlorine and hydrogen. Both plants start operation this year.

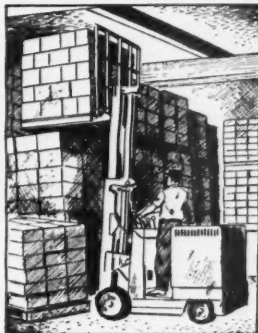
Imperial Chemical Industries, Ltd., of Britain, is the Indian company's technical adviser.

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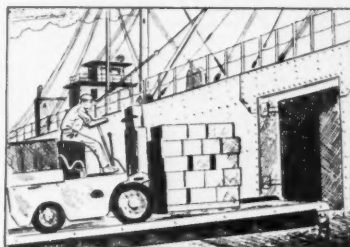
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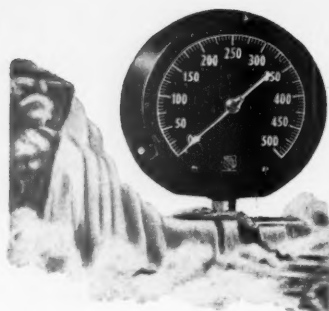
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## Decontrolling Italy

**Socialist minister aims at more competition as spur to efficiency. His biggest problem is industry's topheavy payrolls.**

ROME—Italian industrialists look for a good year in 1949. They expect to get their production out of the rut that kept Italy's over-all output during 1948 dragging along at about 80% of the 1938 level.

• **Businessman's Socialist**—One advantage industry has this year over last is relative freedom from government controls. And for this the businessman has to thank a Socialist minister, Ivan Matteo Lombardo; he runs the Ministry of Industry and Trade in de Gasperi's right-of-center coalition government.

Lombardo got his decontrol policy under way last September. He saw that controls over raw materials and components, over exports and imports, were merely serving special privilege (and often just plain corruption) in the Italian economy.

• **Step by Step**—So, in successive steps Lombardo took off the clamps on production of finished and semifinished products; also on coal and coke, cement, paraffin, heavy oil, artificial fertilizer, industrial fats, soap, and tires.

Three of the 16 central control offices—for scrap iron, textiles, and fuel oil—are being liquidated. Six more are slated to get the ax before long.

• **New Freedom**—More important, perhaps, Lombardo has given private industry (except the fuel-oil industry) freedom to build new plants—or expand old ones—on their own initiative. He had the Italian Parliament rescind a law for "the discipline of private initiative." This law gave the government almost complete power over private capital investment, over how much a manufacturer could spend, where he could build a new plant. A manufacturer had to get permission even to renew equipment in an old plant.

About all this law did was protect the inefficient concerns from their go-ahead competitors or from newcomers to the field. Government decisions were made on the basis of prewar operations; and political favoritism often entered the picture.

• **Holding Company**—Italy's Socialist Industry and Trade Minister has also been taking a look at the Istituto per la Ricostruzione Industriale (IRI). This is a government holding company (a little like the U. S. Reconstruction Finance Corp.) which owns a big slice of Italy's heavy industry plus communications and some banks. It was created by Mussolini to (1) salvage private firms



**SOCIALIST MINISTER** Lombardo offers decontrols—and hope—to Italy's economy

in bankruptcy; (2) set the stage for his corporate state.

Lombardo seems to think that IRI's funds have been used too liberally to bale out run-down industries and too sparingly to support new productive ventures. Since IRI firms are due to get at least 100-billion lire (roughly \$173-million) this year, half through ECA, Lombardo wants to see the money well spent.

• **More Competition**—What Lombardo is really after is more competition in Italian industry. He hopes to boost efficiency this way and get Italian goods back into world markets. And often this Socialist minister seems out in front of many well entrenched private firms in his zeal for competition.

But he knows that his biggest job is to fight the vested interests of labor. Many plants in Italy today are carrying excess labor on their payrolls, and much of it is badly trained. Until industry can correct this situation in an efficient manner, it hasn't a chance of getting its costs down.

• **Communist Threat**—Lombardo knows this. But so far he hasn't been able to move on the labor-surplus front. Reason: Italy still has about 2-million workers unemployed. This gives the Communist-controlled Confederation of Italian Workers (C.G.I.L.) a strong case against layoffs. Large-scale strikes would almost certainly follow any government-approved policy of payroll paring.

Nor has Lombardo been able to do much about another C.G.I.L. tactic—a policy of noncollaboration whereby the workers disregard work rules to the point of sabotaging output.

• **Restrained Cheer**—So Italian industry's optimism will be somewhat restrained until Lombardo is able to make some headway in the field of labor.

## Steel for S. A.

General Tire & Rubber is helping finance a new mill in Venezuela; output will meet a quarter of local needs.

By next June Venezuela should be producing its first steel-mill products. Venezuela Steel Corp. is now building a \$600,000 plant on the outskirts of Caracas. Installed capacity: 22,000 ingot-tons a year, 18,000 tons of finished products.

The plant will turn out reinforcing bars and small structural shapes, will work from local scrap as raw material. Total output will meet about 25% of Venezuela's annual steel needs.

• **Sponsor**—General Tire & Rubber Co., Akron, is the biggest single investor in the new project. Through its Venezuelan subsidiary, General Investment Co., the Akron firm put up just under 50% of the capital.

Miles Sherover, of Sherover Enterprises, Inc., New York, set up the deal for General Tire & Rubber. He also brought several private U. S. and Venezuelan investors into the project. Sherover has been made president of the new Venezuela Steel Corp.

• **Second-Hand Equipment**—Building started six months ago. Machinery is now on the way from the U. S.; it includes electric-furnace and rolling-mill equipment. Most of the equipment is second-hand, procured in the main from Allegheny Ludlum Steel Corp., Pittsburgh, and Symington Gould Corp., Rochester, N. Y.

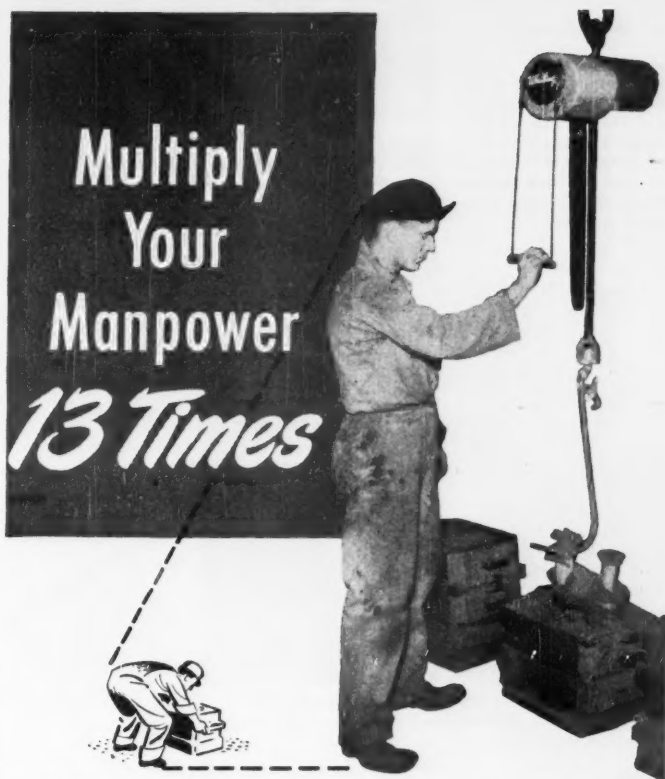
Sherover is an old hand at promoting investments in Latin America for General Tire & Rubber. He negotiated deals for tire plants in Venezuela and Chile. He also set up a deal for an asbestos-cement plant in Venezuela in which General has a 10% interest.

## TIRES FOR RUBBER

LA PAZ.—Under a deal just worked out here, Bolivian rubber producers will soon be swapping raw rubber for British and French auto tires.

The deal is with Dunlop Rubber Co., Ltd., of Britain, and Manufacture de Caoutchouc Michelin of France. Dunlop will get 1,000 tons of rubber a year, the French company 500 tons. In return, Bolivia will get ready-to-market tires worth the value of the 1,500 tons of rubber. (The price is reported to be well above the world market rate.)

The Bolivian producers expect the deal to do two things: (1) Keep production going in the rubber fields at Oriente Boliviana; (2) save the country some much-needed foreign exchange.



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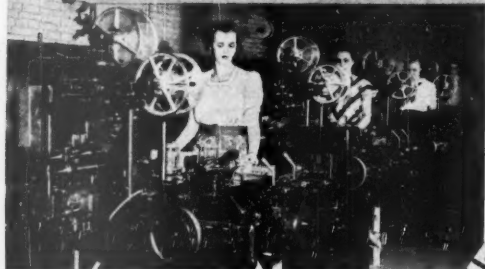
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## ECA'S LEDGER

### Reports From Abroad

PARIS—Top leaders of the Organization for European Economic Cooperation are en route to the U. S. this week to present OEEC's bill for the fiscal year 1949-50.

The Europeans figure that they will need to spend \$6,026,000,000 in dollars over the next fiscal year. They figure that their exports during that time will net them \$1,921,000,000. Counting the amount estimated for "invisible" trade items (like freight charges), OEEC decided the U. S. taxpayer should chip in \$4,347,000,000 through ECA.

Most of the dollars, of course, would be spent in the U. S. More will go into the purchase of equipment—\$907-million in 1949-50 as against some \$800-million this year. In this category, OEEC estimates that it will need vehicles of all types, (\$83-million), agricultural machinery (\$106-million), steel-making equipment (\$110-million), electrical equipment (\$65-million), and coal-mining equipment (\$17.8-million). The remaining \$525-million will go for things like machine tools and oil-refining and drilling equipment.

Food purchases in the dollar areas will drop off some. Bread grains—wheat, flour, etc.—may drop under the \$1-billion mark in fiscal 1949-50. Against that, the current fiscal year's buying in the U. S. alone will be \$1.1-billion.

Other dollar buying OEEC envisages in 1949-50 (in millions of dollars):

Steel .....	\$146
Crude oil .....	234
Petroleum products .....	422
Solid fuels .....	141
Aluminum .....	73
Copper .....	195
Other nonferrous metals .....	247
Fertilizer and chemicals .....	163
Wood and wood pulp .....	213
Leather & hides .....	75
Cotton .....	549
Tobacco .....	160
Coarse grains .....	263
Fats .....	298
Meat .....	84
Other agricultural prod. ....	480
Misc. (incl. freight charges) ..	484

### Reports From Washington

Paul Hoffman will present OEEC's bill for 1949-50 to Congress late this month or early next. Along with it will go recommendations for changes in the ECA law (page 99). Chances are Congress will grant ECA at least \$4-billion for the fiscal year 1949-50.

### Other Developments

**Know-How Exchange.** Norway has sent the first productivity team to the

U. S. to study production methods with an eye to boosting output back home. The Norwegian group is the first of many. One from Britain, set up under the auspices of the Anglo-American productivity council, will arrive here around Feb. 1.

The Norwegian group includes representatives from the Norwegian Labor Party and the aluminum workers, sheet metal workers, confectionery workers, and paper industry unions.

Allotments. ECA has granted Sweden a conditional allotment of \$21.8-million to free that amount of Swedish kroner for a credit to Norway. Norway will use the credit to build up its merchant fleet with ships built in Swedish yards. As part of the same deal, Norway has asked that ECA add 40,000 tons to Norway's steel needs under ECA. This will be handed over to Sweden's steel-short shipbuilders.

Object of the deal: to add 3-million tons to Norway's merchant fleet by 1953. That would bring the total up to 5.6-million tons, as against a prewar total of 4.8-million tons.

Procurement Authorizations. ECA spending continued low. For the week ended Dec. 29, ECA authorized \$43.1-million worth of purchases. Sugar and coarse grains made up half the list. Industrial commodities dropped to \$9-million.



## Elected by Puerto Ricans

Luis Munoz Marin, 52, was sworn in last week as Puerto Rico's first elected governor. Marin's election is a vote of confidence for the island's booming industrialization program: The new governor has promised to continue the 10-year tax holiday for new industries—set up either by local capital or by private U. S. business. The island government is also building plants itself, many of which are being resold to private enterprise.

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# THE TREND

## For More Light on Mergers

Mergers are coming into the congressional spotlight again.

Sen. Joseph C. O'Mahoney predicts that there will be no graveyard this time for the O'Mahoney-Kefauver bill. This is the bill which would give the Federal Trade Commission control over mergers accomplished through purchase by one company of the physical assets of another; it was buried in committee by the last two Congresses.

FTC has fought for this bill for a long time. It says it would plug loopholes in the antitrust laws which "permit the continued growth of monopoly and concentration of economic power through mergers and acquisitions." The commission documents its viewpoint with studies of the number of mergers, and of the fields in which they have been frequent.

Studies of this kind have a key role in the government's continuous effort to check trends toward monopoly, to keep business arteries from hardening. But FTC's studies don't go far enough. They would perform their role much more effectively if, instead of being limited to the "how" and "where" of mergers, they dug more thoroughly into the "why"—particularly, into the reasons why companies sell themselves into mergers.

### Survey of Sellers

To throw some light on these reasons, *BUSINESS WEEK* has been checking with executives of companies that have sold out in the past two years. Here, for example, are some of the things that were involved when one old, well-established company sold:

The company was prosperous. Good products and good service gave it a toe-hold in the Detroit market, among the automobile companies, which larger competitors couldn't budge.

But the president had reached the age where work was no longer a stimulant. He had a controlling interest, but cousins and aunts with minority interests got in his hair. The company didn't have a laboratory that could keep it abreast of a flood of technical advances. New products other companies were testing promised to produce some quick changes in the field. Seeing this ahead, the president didn't want the responsibility of taking his company, with its limited resources, over these hurdles.

Now the absorbed company operates as a division of the larger company. Same personnel, same products. But the president has shifted some of his responsibilities. He can take it easier. His relatives can expect steady dividends. When the hurdles do come, the organization will have a better chance of surviving.

The question of family interests is important in many mergers. As the owner of another flourishing business told *BUSINESS WEEK* when he sold out:

"My firm is a one-man operation, essentially. My son is too young to take over. The other fellows want to diversify. By selling to them, I'll get an excellent place in the firm, and I'll set up a reasonably safe estate for the boy in case anything should happen to me."

Moreover, although business was fine, he thought the top of the business cycle was close. Once the top of the cycle passes, he felt, the large corporations have the best opportunity for progress. They have more capital, more access to mass buying, more brain power, more experience, more know-how generally.

Many mergers make good business sense. Several small companies reported they joined up with another company, or sold out, in order to get better distribution of their products. Alone, they couldn't afford to have salesmen scattered over the country. But several lines together could support a national selling organization. And putting the lines together brought stability to the combined operation.

Taxes motivate many a merger. Owners of closely held corporations sell to avoid high inheritance taxes. They do not escape the taxes, but they do insure themselves against having to put the business into hock in a hurry sometime to meet inheritance levies. Individuals also sell out sometimes to get out from under taxes: They can drop the income-tax burden, take the lighter capital-gains tax, and stop worrying about the business cycle.

### Good Business for Buyers

From the seller's point of view, these reasons—and many others—are usually mixed in any merger. It's also true that the buying company may have a wide range of reasons that make good business sense. We didn't go after them specifically. But we learned enough of them to know that the urge to diversify, to round out the line, is important. Then, too, companies sometimes can get new production capacity more cheaply by buying out another company than they can get it any other way.

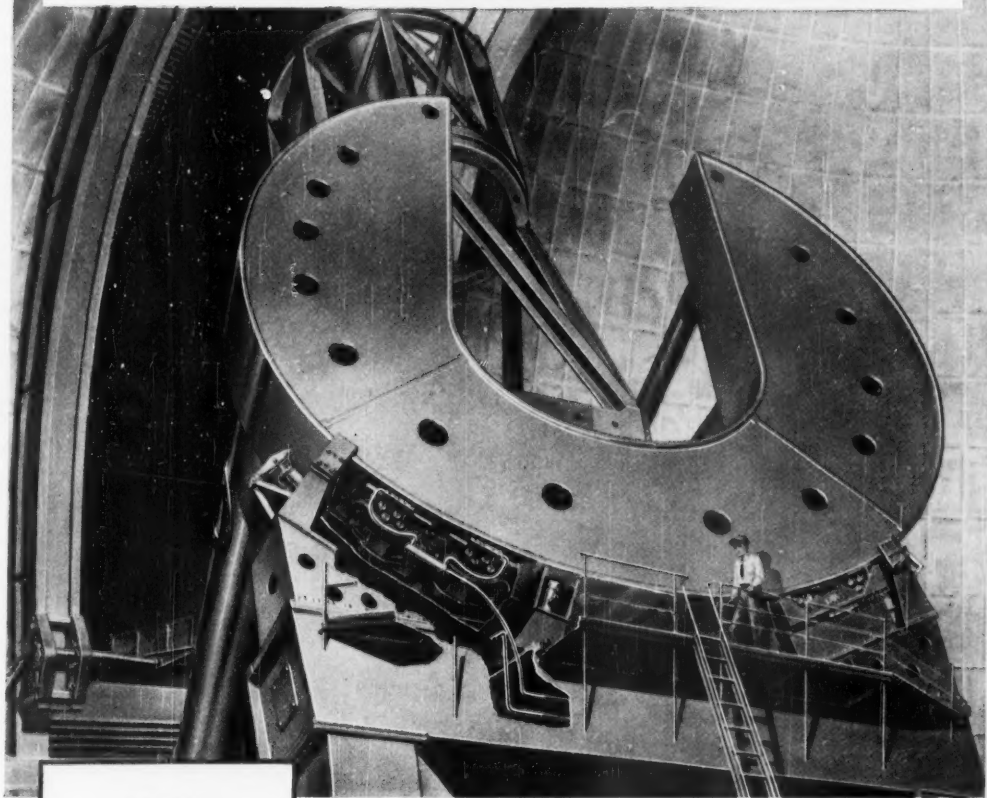
This look of ours at mergers makes it clear that FTC's limited attack leaves a lot of big questions hanging in the air. There's the whole question of tax policy: How can our ramshackle tax system be overhauled so that independent companies will be encouraged to stay independent? Isn't the Treasury now tending to kill competition—while the Federal Trade Commission tries to promote it?

There's a whole book of questions on size and efficiency: What size should a company be—in making autos or steel drums or paint—to be most efficient?

In short, we know there's far more to mergers than has met FTC's eye. We'd like to see Congress, or an agency with Congress' approval, dig deeply into this question of mergers, and come up with some real answers.

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